ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

Consolidated and Separate Annual Financial Statements

for the year ended 30 June 2020

ACT Healthcare Assets (Pty) Ltd

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Preparation of the annual Financial Statements

The Group Annual Financial Statements of ACT Healthcare assets (Pty) Ltd ("AHA") for the year ended 30 June 2020 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Chief Financial Officer of AfroCentric Investment Corporation Limited.

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2008/025969/07
Registration Date	04 November 2008
Nature of Business and Principal Activities	A private company operating in the healthcare fund management sector and associated industries. The Company's main business is to provide resources for the acquisitions, capital expending and the expansion of AfroCentric Investment Corporation Limited.
Directors	ATM Mokgokong MJ Madungandaba A Banderker JW Boonzaaier FG Allen (Appointed 12 September 2019)
Registered Office address	37 Conrad Street Florida North Roodepoort South Africa
Postal Address	P O Box 1101 Florida Glen Roodepoort 1708
Auditors	SizweNtsalubaGobodo Grant Thornton Inc 20 Morris St Woodmead 2191 And PricewaterhouseCoopers Inc. 4 Lisbon Lane Waterfall City Jukskei View 2090
Company Secretary	B Mokale ACT Healthcare Assets (Pty) Ltd

ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 10 to 119. These Annual Financial Statements have been prepared in accordance with IFRS and the Companies Act and include amounts based on judgements and estimates made by management.

The Directors are also responsible for the Group's system of internal financial controls. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the Annual Financial Statements, and to adequately safeguard, verify and maintain accountability of the assets and to prevent and detect misstatement and loss.

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2020 financial year and considering the information and explanations provided by management and assessed by the Audit and Risk Committee, nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on review of forecasts and budgets and available cash resources. The Group Annual Financial Statements support the viability of the Company and the Group. Furthermore the Group has secured banking facilities which are in excess of the Groups funding requirements for the foreseeable future.

The Annual Financial Statements have been audited by SizweNtsalubaGobodo Grant Thornton Inc. and PricewaterhouseCoopers Inc. which are independent auditing firms, who were both given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the auditors during the audit were valid and appropriate.

The audit opinion of SizweNtsalubaGobodo Grant Thornton Inc. and PricewaterhouseCoopers Inc. appears on page 7, 8 and 9.

The Directors confirm that they have collectively reviewed the content of this report and believe it addresses material issues and is a fair presentation of the performance of the Group.

The Annual Financial Statements have been approved by the Board of Directors and signed on 25 February 2021.

Director
JW Boonzaaier

Director
Ahmed Banderker

ACT Healthcare Assets (Pty) Ltd

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Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I declare that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

B Mokale
Group Company Secretary
25 February 2021

Directors' Report

The ACT Healthcare Assets Proprietary Limited directors present their report for the year ended 30 June 2020.

Review of activities and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Main business and operations

The principal activity of the Group is a private company operating in the healthcare fund management sector and associated industries. The Company's main business is to provide resources for the acquisitions, capital expending and the expansion of Afrocentric Investment Corporation Limited and its subsidiaries. There were no major changes herein during the year.

AfroCentric shared value

The Group's operating subsidiaries continue to provide value-added complementary services to its traditional medical scheme clients as part of the Group's strategy inclusive of consolidated disruptive and innovative offerings. Through this, the Group continues to preserve shareholder value and provide solutions to healthcare client needs. This has further enabled us to understand both our clients and competitor environment and we can confirm that the Group is geared towards sustainability.

Our strategy is to optimise our Group's products and services to offer organisations and members a seamless service. As part of our growth strategy, the Group contributes to South Africa's sustainable health and welfare by investing in healthcare-related businesses that grow its portfolio and diversify its revenue sources.

Developments

We are excited to announce that, to further strengthen our capabilities and diversify our service offering, we have acquired the DENIS group of companies, effective 1 October 2020. The unconditional approval was received from the Competition Tribunal on 26 August 2020. DENIS provides and manages sustainable dental benefits for medical scheme members.

The Group has further increased its shareholding in Scriptpharm Risk Management Proprietary Limited (Scriptpharm) from 80% to 100% shareholding, effective 1 August 2020. Scriptpharm is a national pharmacy network comprising over 2 000 pharmacies operating throughout South Africa, with provider status of either a preferred provider to medical schemes or a designated service provider.

Financial review

» Group consolidated revenue increased by 21.6% to R6 445 million (2019: R5 299 million).

» Profit before tax increased by 17% for the year under review amounting to R623.7million (2019: R533.0 million).

» Profit after tax (PAT) increased by 20.4% compared to prior financial year.

Going concern

The Annual Financial Statements have been prepared on the going concern basis. The Board having performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, considers the preparation of the Annual Financial Statements on this basis to be appropriate. Refer to Note 33 for COVID-19 impact on going concern.

Directors' interest in contracts

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

Directors' Report

Treasury shares

During the year, no share repurchases were made by the Company. AfroCentric Health Management Services Proprietary Limited, a subsidiary of AfroCentric Health RF (Pty) Ltd, holds 1 999 999 treasury shares.

Auditors

SizweNtsalubaGobodo Grant Thornton Inc. and PricewaterhouseCoopers Inc. serves as auditors of the Company.

Authorised and issued share capital

The Company's share capital remains at 1 000 ordinary shares in the year under review. As per the Companies Act, Section 38, the Board may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation. There have been no changes to the authorised or issued share capital during the year under review.

Borrowing limitations

In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited. The Company has no restrictive funding arrangements.

Dividend

Dividends of R78 558 000 (2019: R0) were paid to shareholders.

Directors
The table below illustrates the Directors of the Company as at 30 June 2020.

Directors Name	Date of appointment	Date of resignation	Designation
JW Boonzaaier	29 June 2016		Executive
A Banderker	01 April 2019		Executive
ATM Mokgokong	29 June 2016		Non-executive
MJ Madungandaba	29 June 2016		Non-executive
FG Allen	12 September 2019		Non-executive
IM Kirk	15 December 2015	12 September 2019	Non-executive

Shareholders

There have been no changes in ownership during the current financial year.

The shareholders and their interests at the end of the year are:

	Holding
AfroCentric Investment Corporation Limited	71.30%
Sanlam Limited	28.70%

pwc

SNG Grant Thornton

An instinct for growth

Independent Auditors' Report

To the Shareholders of ACT Healthcare Assets Proprietary Limited

Opinion

We have audited the consolidated and separate financial statements of ACT Healthcare Assets Proprietary Limited (the Company) and its subsidiaries (together the Group) set out on pages 10 to 119 which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ACT Healthcare Assets (Pty) Limited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Julanie Basson
Director
Registered Auditor
10 March 2021
Johannesburg

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Lourenz de Jager
Director
Registered Auditor
10 March 2021
Pretoria

ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

Consolidated and Separate Financial Statements for the year ended 30 June 2020

Statement of Financial Position

Figures in R `000	Notes	Group 2020	Group 2019 Restated*	Company 2020	Company 2019 Restated*
Assets					
Non-current assets					
Property and equipment	4.1	471,957	416,558	-	-
Right of use asset	4.2	234,980	290,136	-	-
Investment property	5	15,418	15,418	-	-
Intangible assets	6	2,695,187	2,556,012	-	-
Investments in subsidiaries	8.2	-	-	1,871,814	1,871,814
Investment in associate	8.1	33,307	29,943	-	-
Deferred tax assets	9	151,407	151,611	-	-
Investment in holding company	7.10	7,380	9,900	-	-
Other investments	12	3,711	-	-	-
Total non-current assets		**3,613,347**	**3,469,578**	**1,871,814**	**1,871,814**
Current assets					
Inventory	10	297,851	283,732	-	-
Trade and other receivables	7.4	505,921	530,244	10,038	10,059
Current tax assets	11	25,456	34,167	-	-
Loan to holding company	7.9	29,958	-	-	-
Cash and cash equivalents	7.6	175,746	254,979	489	634
Total current assets		**1,034,932**	**1,103,122**	**10,527**	**10,693**
Total assets		**4,648,279**	**4,572,700**	**1,882,341**	**1,882,507**
Equity and liabilities					
Equity					
Issued share capital	13	1	1	1	1
Share premium	14	1,131,143	1,131,143	1,131,143	1,131,143
Retained income		1,943,155	1,565,325	747,988	672,178
Non-distributable reserves	15	2,161	2,179	-	-
Foreign currency translation reserve	15	(14,633)	(3,115)	-	-
Total equity attributable to owners of the parent		3,061,827	2,695,533	1,879,132	1,803,322
Non-controlling interests	16	75,495	64,737	-	-
Total equity		**3,137,322**	**2,760,270**	**1,879,132**	**1,803,322**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	9	326,341	338,710	556	556
Provision for post-retirement benefit	18	2,594	2,610	-	-
Lease liability	7.12	181,427	261,104	-	-
Borrowings	7.13	266,311	371,566	-	-
Cash settled share based payment	28	10,276	11,286	-	-
Total non-current liabilities		**786,949**	**985,276**	**556**	**556**

ACT Healthcare Assets (Pty) Ltd

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Consolidated and Separate Financial Statements for the year ended 30 June 2020

Statement of Financial Position

Figures in R `000	Notes	Group 2020	Group 2019 Restated*	Company 2020	Company 2019 Restated*
Current liabilities					
Employment benefit liability	17.2	102,776	88,038	-	-
Trade and other payables	7.7	355,265	394,876	-	-
Current tax liabilities	11	33,086	32,280	19	23
Provisions	17.1	6,111	7,568	216	-
Lease liability	7.12	96,855	61,551	-	-
Borrowings	7.13	120,000	120,000	-	-
Loan from group company	7.8	-	-	2,418	78,606
Loan from holding company	7.9	-	115,506	-	-
Deferred payment	31	-	7,335	-	-
Cash settled share based payment	28	9,915	-	-	-
Total current liabilities		**724,008**	**827,154**	**2,653**	**78,629**
Total liabilities		**1,510,957**	**1,812,430**	**3,209**	**79,185**
Total equity and liabilities		**4,648,279**	**4,572,700**	**1,882,341**	**1,882,507**

** Please refer to note 35 for the details of the restatements.*

ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

Consolidated and Separate Financial Statements for the year ended 30 June 2020

Statements of Profit or Loss and Other Comprehensive Income

Figures in R `000	Notes	Group 2020	Group 2019 Restated*	Company 2020	Company 2019
Revenue from contracts with customers	20	6,445,371	5,299,681	-	-
Other income		**26,401**	**145,265**	**154,830**	**622,213**
Dividends received		-	-	154,783	501,511
Fair value gains	22	14	121,426	-	120,702
Finance income	23	26,387	23,839	47	-
Cost of pharmaceutical products and finished goods	21	(1,417,207)	(1,309,330)	-	-
Cost of distribution of pharmaceutical products	21	(72,561)	(75,941)	-	-
Employee benefit costs		(2,240,461)	(2,145,458)	-	-
Other expenses	22	(1,623,337)	(777,656)	(462)	(3)
Amortisation	6	(164,153)	(110,941)	-	-
Rent and property costs	22	(87,061)	(97,624)	-	-
Right of use asset depreciation	4.2	(71,781)	(82,666)	-	-
Impairments provisions against investments and loans	22	-	(9,000)	-	-
Impairment of loans	22	(10)	(747)	-	-
Loss on disposal of property and equipment	22	(1,938)	(4,694)	-	-
Loss on disposal of intangible assets	22	-	(40,000)	-	-
Increase in expected credit loss allowance	22	(3,686)	(326)	-	-
Bad debt write-off	22	(2,454)	(3,602)	-	-
Share-based payment expense	28	(8,896)	(7,785)	-	-
Depreciation	4	(62,514)	(55,909)	-	-
Information technology costs		(16,715)	(92,033)	-	-
Scrapping of intangibles		-	(58,515)	-	-
Fair value loss on investment in holding company	7.10	(2,520)	(1,600)	-	-
Impairment of intangibles	6	(2,920)	-	-	-
Share of profits from associates	8.1	7,990	18,479	-	13,205
Interest on lease liability	23	(27,888)	(31,822)	-	-
Finance costs	23	(49,938)	(24,771)	-	(2,293)
Profit before tax	22	**623,722**	**533,005**	**154,368**	**633,122**
Income tax expense	24	(154,182)	(143,003)	-	(2,196)
Profit for the year		**469,540**	**390,002**	**154,368**	**630,926**

Statements of Profit or Loss and Other Comprehensive Income

Figures in R `000	Notes	Group 2020	Group 2019 Restated*	Company 2020	Company 2019
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit obligations		16	(185)	-	-
Income tax relating to these items	24	(4)	52	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations					
Foreign exchange benefit/(loss)		(380)	(3,908)	-	-
Total other comprehensive income that will be reclassified to profit or loss		**(380)**	**(3,908)**	**-**	**-**
Total other comprehensive income net of tax		**(368)**	**(4,041)**	**-**	**-**
Total comprehensive income		**469,172**	**385,961**	**154,368**	**630,926**
Comprehensive income attributable to:					
Comprehensive income, attributable to owners of parent		440,626	368,049	154,368	630,926
Comprehensive income, attributable to non-controlling interests	16	28,546	17,912	-	-
		469,172	**385,961**	**154,368**	**630,926**

** Please refer to note 35 for details of the restatements.*

Statement of Changes in Equity - Group

Figures in R `000	Notes	Ordinary share capital	Share premium	Foreign currency translation reserve	Non-distributable reserves	Retained earnings**	Non-controlling interests	Total equity
Balance at 1 July 2018		1	1,131,143	793	-	1,209,751	53,522	2,395,210
Changes in equity								
Profit for the year		-	-	-	-	370,033	17,912	387,945
Other comprehensive income		-	-	(3,908)	-	(133)	-	(4,041)
Dividend paid	27	-	-	-	-	-	(10,341)	(10,341)
Opening balance adjustment		-	-	-		(16,383)	-	(16,383)
Non-controlling interest on acquisition of subsidiaries	16	-	-	-		-	3,644	3,644
Revaluation reserve		-	-	-	2,179	-	-	2,179
Balance at 30 June 2019 as previously reported		**1**	**1,131,143**	**(3,115)**	**2,179**	**1,563,268**	**64,737**	**2,758,213**
Increase (decrease) due to corrections of prior period errors		-	-	-	-	2,057	-	2,057
Balance at 30 June 2019 restated		1	1,131,143	(3,115)	2,179	1,565,325	64,737	2,760,270
Balance at 1 July 2019		1	1,131,143	(3,115)	2,179	1,565,325	64,737	2,760,270
Changes in equity								
Profit for the year		-	-	-	-	440,994	28,546	469,540
Other comprehensive income		-	-	(380)	-	12	-	(368)
Dividend paid	27	-	-	-	-	(78,558)	(21,354)	(99,912)
Increase through changes in ownership interests in subsidiaries that do not result in loss of control	16	-	-	-	-	2,045	3,566	5,611
Reclassification		-	-	(11,138)	(18)	11,156	-	-
Measurement period adjustments after acquisition date*		-	-	-	-	2,181	-	2,181
Balance at 30 June 2020		**1**	**1,131,143**	**(14,633)**	**2,161**	**1,943,155**	**75,495**	**3,137,322**
Notes		**13**	**14**					

** In relation to the acquisition of Activo Health Pty Ltd in March 2019, in terms of the sale of shares agreement, a pre-acquisition dividend was declared and payment effected in December 2019. In terms of IFRS 3: Business Combination, the provisional accounting applied to the acquisition of Activo Health Pty Ltd was finalised in December 2019 (which is within the measurement period), resulting in the adjustments.*

*** Please refer to note 35 for details of the corrections.*

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Statement of Changes in Equity - Company

Figures in R `000	Notes	Ordinary share capital	Share premium	Retained earnings	Total
Balance at 1 July 2018		1	1,131,143	41,252	1,172,396
Changes in equity					
Profit for the year		-	-	630,926	630,926
Balance at 30 June 2019		**1**	**1,131,143**	**672,178**	**1,803,322**
Balance at 1 July 2019		**1**	**1,131,143**	**672,178**	**1,803,322**
Changes in equity					
Profit for the year		-	-	154,368	154,368
Dividend recognised as distributions to shareholders	27	-	-	(78,558)	(78,558)
Balance at 30 June 2020		**1**	**1,131,143**	**747,988**	**1,879,132**
Note		**13**	**14**		

ACT Healthcare Assets (Pty) Ltd

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Consolidated and Separate Financial Statements for the year ended 30 June 2020

Statements of Cash Flows

Figures in R `000	Notes	Group 2020	Group 2019 Restated**	Company 2020	Company 2019 Restated**
Cash flows from operating activities					
Cash receipts from customers		6,460,790	5,899,939	20	(36)
Cash paid to suppliers and employees		(5,499,588)	(5,308,663)	(245)	(340)
Cash generated from / (utilised in)operations	25	**961,202**	**591,276**	**(225)**	**(376)**
Dividend paid	27	(99,912)	(10,341)	(78,558)	-
Dividends received		4,873	4,168	154,783	501,511
Interest paid		(77,826)	(56,593)	-	(2,293)
Interest received		26,387	23,839	47	-
Income taxes paid	26	(159,169)	(135,055)	(4)	(2,951)
Net cash inflow/(outflow) from operating activities		**655,555**	**417,294**	**76,043**	**495,891**
Cash flows from investing activities					
Payment for acquisition of subsidiaries, net of cash acquired		-	(572,706)	-	(495,918)
Business combinations*		(20,350)	-	-	-
Proceeds from sales of tangible assets		17,115	-	-	-
Purchase of tangible assets		(136,969)	(98,857)	-	-
Proceeds from sales of intangible assets		-	962	-	-
Purchase of intangible assets		(284,210)	(241,697)	-	-
Settlement of loans by associates		-	2,600	-	-
Disinvestment of financial assets		-	3,174	-	-
Loan advanced to holding company		(29,958)	-	-	-
Payment toward deferred payment obligation		(7,335)	-	-	-
Net cash inflow/(outflow) from investing activities		**(461,707)**	**(906,524)**	**-**	**(495,918)**
Cash flows from financing activities					
Changes in ownership interests in subsidiaries that do not result in loss of control – Medscheme Mauritius Limited		6,303	-	-	-
Lease liability capital repayment		(58,243)	(62,652)	-	-
Increase/(decrease) in borrowings		(105,255)	491,566	-	-
Proceeds of borrowings		50,000	550,000	-	-
Capital settlement of borrowings		(155,255)	(58,434)	-	-
Proceeds of loans from group companies		-	-	-	-
Repayments of loan from holding company		(115,506)	117,273	(76,188)	-
Net cash inflow/(outflow) from financing activities		**(272,701)**	**546,187**	**(76,188)**	**-**

Statements of Cash Flows

Figures in R `000	Notes	Group 2020	Group 2019 Restated**	Company 2020	Company 2019 Restated**
Net (decrease) / increase in cash and cash equivalents before effect of exchange rate changes		**(78,853)**	**56,957**	**(145)**	**(27)**
Effect of exchange rate changes on cash and cash equivalents		(380)	(3,908)	-	-
Cash and cash equivalents at beginning of the year		254,979	201,930	634	661
Cash and cash equivalents at end of the year	**7**	**175,746**	**254,979**	**489**	**634**

** This relates to the portion of the pre-acquisition dividends paid to the former shareholders of Activo Health (Pty) Ltd on the date the dividend was declared. The dividend was paid in December 2019, post the acquisition of Activo Health (Pty) Ltd in March 2019.*

*** Please refer to note 35 for the details of the restatement.*

Accounting Policies

1. Accounting policies

1 (a) General information

ACT Healthcare Assets (Pty) Ltd (the "Company"), together with its subsidiaries (together forming the "Group"), is a private company operating in the healthcare fund management sector and associated industries. The Company's main business is to provide resources for the acquisitions, capital expending and the expansion of AfroCentric Investment Corporation Limited and its subsidiaries.
The Company is a proprietary limited liability company incorporated and domiciled in South Africa. The address of its registered office is 37 Conrad Street, Florida North, Roodepoort, South Africa. The majority of the Company's shares are held by AfroCentric Investment Corporation Limited.

The consolidated and separate Annual Financial Statements have been approved for issue by the Board on 31 January 2021.

(i) Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with the requirements of IFRS and interpretations issued in accordance to the International Financial Reporting Interpretations Committee (IFRIC). These Annual Financial Statements have been issued in accordance with the requirements of International Accounting Standards Board (IASB).

(ii) Basis of presentation

The principal accounting policies applied in the preparation of these consolidated and separate Annual Financial Statements are set out below. These policies have been consistently applied to all the years presented.

The Annual Financial Statements have been prepared under the historical cost convention except for the following:
• Post-employment medical obligations, independently valued using the projected unit credit method

Carried at fair value:
• Financial instruments designated at fair value through profit or loss; and
• Investment property held at fair value using independent market valuations

The preparation of the Annual Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Annual Financial Statements and the reported amounts of revenues and expenses during the reporting years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The statement of comprehensive income is presented on a hybrid method of the nature and function method as the Group believes this represents more meaningful and relevant information to the user and is disclosed in this manner.

Accounting Policies

Accounting policies continued...

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2020 year-ends

IFRS	Effective date	Executive summary
IAS 19 Employee Benefits	Annual periods beginning on or after 1 January 2019	*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19):* The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments affect any entity that changes the terms or the membership of a defined benefit plan. AfroCentric Group and its companies have not made any changes to the terms of the defined benefit plan. IAS 19 amendment has had no impact on the Group.

Accounting Policies

Accounting policies continued...

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2020 year-ends

IFRS	Effective date	Executive summary
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2020	*Definition of a Business:* The amendments: confirmed that a business must include inputs and a process, and clarified that: » the process must be substantive; and » the inputs and process must together significantly contribute to creating outputs. » narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and » added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	» IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS » IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts » The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims » Insurance contracts are required to be measured based only on the obligations created by the contracts » An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums » This standard replaces IFRS 4 Insurance Contracts
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

Accounting policies continued...

1 (b) Basis of consolidation

(i) Subsidiaries

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and entities controlled by the Company. The Annual Financial Statements are available at the premises of the Company's offices, being 37 Conrad Street, Florida North, Roodepoort, 1709.

(ii) Business combinations

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated, when necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Accounting Policies

Accounting policies continued...

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

In the Company financial statements, the investment in associates is recognised at cost.

At Group, the investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group's share of post-acquisition profit or loss is recognised in the statements of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount separately in the statements of profit or loss and other comprehensive income.

Profits and losses and unrealised gains resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's Financial Statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 (c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Annual Financial Statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated Annual Financial Statements are resented in South African Rand, which is the Company's functional and presentation currency. The amounts on these financial statements are presented in thousands.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities measured at fair value through other comprehensive income, are included in other comprehensive income.

Accounting Policies

Accounting policies continued...

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
(b) Income and expenses for each statements of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
(c) All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as other reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at each reporting date. Exchange differences arising are recognised in other comprehensive income.

1 (d) Property, plant and equipment

Property, office equipment, motor vehicles, furniture and fittings, computer equipment and building infrastructure are initially recorded at cost. Subsequently these are measured at cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount when they meet the recognition criteria of property and equipment. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets.

The estimated maximum useful lives are:

Asset class	
Equipment	5 to 20 years
Right of use assets (refer note 1(h))	2 to 10 years (depending on the lease term)
Buildings	30 to 50 years
Motor vehicles	5 to 6 years
Furniture and fittings	5 to 10 years
Computer equipment	3 to 7 years

The residual values and useful lives of assets are reviewed on an annual basis and if appropriate are adjusted accordingly.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Derecognition

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal and the gain or loss arising from the derecognition of an item of plant and equipment is included in profit and loss when the item is derecognised.

Accounting policies continued...

1 (e) Investment property

(i) Initial recognition

Investment property is initially recognised at cost, with transaction costs and other directly attributable expenditure being included in the the initial measurement.

(ii) Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to Note 5.3 for the valuation process.

(iii) Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from derecognition of an investment property are determined as the net disposal proceeds less the carrying amount and are recognised in profit or loss.

1 (f) Intangible assets and goodwill

Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated amortisation and impairment.

Amortisation is charged on the straight-line basis over the estimated useful lives of the assets.

The estimated maximum useful lives are:

Asset class	
Customer relationships	5 to 10 years
Trademarks, brands and intellectual property	10 years
Internally generated computer software development costs	Less than 15 years
Computer software	4 to 5 years
Goodwill	Indefinite
Pharmaceutical dossiers	10 to 20 years

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the carrying amount of investments in associates and is tested for impairment as part of the overall balance. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Contractual customer relationships

Acquired contractual customer relationships from business combinations are recognised at fair value at acquisition date. As contractual customer relationships have a finite useful life, they are subsequently carried at cost less accumulated amortisation and impairment losses.

Accounting Policies

Accounting policies continued...

(iii) Trademarks, brands and intellectual property

Trademarks, brands and intellectual property have finite useful lives and are initially measured at fair value and subsequently amortised over their useful lives.

(iv) Internally generated computer software development costs

Development costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year, are recognised as intangible assets.

The following criteria are required to be met before the related expenses can be capitalised as an intangible asset:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Costs associated with maintaining computer software programmes are expensed as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period. Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

(v) Computer software acquired

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software.

Directly attributable costs associated with the acquisition and installation of software are capitalised.

(vi) Pharmaceutical dossiers

Pharmaceutical dossiers relate to generic pharmaceuticals products including over the counter medicine, antiretrovirals (ARVs) and acute and chronic medicines. These were fair valued at acquisition date and subsequently will be amortised over their useful lives.

1(g) Impairment of assets

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Accounting policies continued...

1 (h) Leases

(i) The Group is the lessee

The Group leases various properties, motor vehicles, office equipment and furniture. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in 1(h) (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All non-cancellable lease terms are taken into account when determining the lease term. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the present value of the following lease payments:

» fixed payments (including in-substance fixed payments), less any lease incentives receivable;
» amounts expected to be payable by the lessee under residual value guarantees;
» payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
» the lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

» the amount of the initial measurement of lease liability;
» any lease payments made at or before the commencement date less any lease incentives received;
» any initial direct costs, and
» restoration costs.

Payments associated with short-term leases and leased assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) Extension and termination options

Extension and termination options are included in a number of property and vehicle leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

1 (i) Financial instruments

Classification

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The group classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at amortised cost

Accounting policies continued...

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The group classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Group's management;

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

• how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

• the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Accounting Policies

Accounting policies continued...

(b) Financial assets - assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications below.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at fair value through other comprehensive income

The Group classifies its financial assets as at fair value through other comprehensive income (FVOCI) only if both of the following criteria are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounting Policies

Accounting policies continued...

(c) **Financial assets and liabilities designated at fair value through profit or loss**

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income (OCI).

(d) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(e) **Impairment of financial assets**

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measure at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12 - month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accounting Policies

Accounting policies continued...

(f) Derecognition

Financial asset

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group/Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 7.3 for further details.

Accounting policies continued...

1 (j) Contingent liabilities

Contingent liabilities have been recognised as part of business combinations. Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

The fair values of contingent liabilities recognised as part of the business combinations have been determined by management as the amounts that a third party would charge to assume the contingent liabilities. These amounts reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

After their initial recognition, the Group measures contingent liabilities that are recognised separately due to a business combination at the higher of:

(i) the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IFRS 15 Revenue.

Contingent liabilities not acquired in business combinations are not recognised but disclosed in Note 29.

1(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income as finance costs.

1 (l) Employee costs

Pension and provident fund obligations

The Group operates a number of defined contribution plans, the assets of which are held in separate registered funds. The pension and provident plans are funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries. The funds are administered in terms of the Pension Funds Act and annual actuarial valuations are performed.

The Group's contributions to the defined contribution pension and provident plans are charged to the statement of comprehensive income in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

Post-employment medical obligations

Some of the retired employees are provided with post-employment healthcare benefits. No further post-employment healthcare benefits will be granted. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Interest costs are charged to the statement of comprehensive income as finance costs.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. This provision is recognised in the statement of financial position under "employment benefit liability".

Accounting policies continued...

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either:

- terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided, to the "employee benefit costs" in the statement of comprehensive income.

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The expense is recognised as "employee benefit costs" in the statement of comprehensive income (refer to Note 22). Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the company.

1 (m) Income and expense recognition

Revenue comprises the fair value of the consideration received or receivable for goods sold and services provided in the ordinary course of business.

The Group recognises revenue when the amount can be measured reliably, and it is probable that the future economic benefits will flow to the entity.

All revenue excludes Value Added Tax (VAT). All expenditure on which input VAT can be claimed, excludes VAT.

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good and monthly as the services are performed.

The revenue recognised is typically due within 30 days of rendering the service. There is therefore no significant financing component.

Accounting Policies

Accounting policies continued...

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Admin health	Administration of the fund/scheme, which could include processing claims, collecting payments, maintaining records, member administration	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered over the contract duration. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – the revenue recognised for each month is dependent on the member numbers in each month multiplied by the rate per member for that category of member numbers included in the sliding scale.
Retail/ pharmaceutical	Services provided vary across the agreements, but include the following: maintenance of stock of medicines required to fulfil scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts. Goods sold comprise various branded and generic pharmaeutical goods. Standard trade agreements are in place setting out the timing of payments to which the company is entitled to.	Services provided: The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered, which is as the dispensed medicines are delivered to the member, thus revenue in respect of the sale of the medicines and the services are recognised at the same time. Medicine prices charged are regulated. Fee per medicine per script is indicated in the contract. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Goods sold: Revenue from sale of goods is recognised when the company transfers control of the goods. Control of goods transfers upon shipment of the goods to the customer or when the goods is available for use to the customer, provided transfer of title to the customer occurs and the company has not retained any significant risks of ownership or future obligations with respect to the product shipped. Revenue should therefore be recognised at a point in time.

Accounting Policies

Accounting policies continued...

Managed healthcare	Management services vary per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional once-off services which are performed would result in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate.

Accounting Policies

(ii) Finance income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income on impaired loans should continue to be recognised on a time proportion basis using the effective interest method on the impaired balance.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established (date of declaration).

(iv) Other expenditure

All other expenditure is recognised as and when incurred.

(v) Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 (n) Inventories

Inventories include assets held for sale in the ordinary course of business such as pharmaceutical products as well as highly specialised high-value medical equipment.

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realisable value on a weighted average basis.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1 (o) Taxation

(i) Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The Group offsets current tax assets and current tax liabilities when it has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Annual Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. However, deferred tax is not recognised on:

» initial recognition of goodwill;

» initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and

» investments in subsidiaries and associates where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Dividends tax

Taxes on dividends declared by the Group are recognised as part of the dividends paid within equity as dividends tax represents a tax on the shareholder and not the Group, at the rate of 20% (15% prior 22 February 2017). Tax on dividends in specie will remain the liability of the Company declaring the dividend.

South African resident companies are exempt from the new dividends tax. Upon declaring a dividend (excluding dividends in specie), the Group withholds the dividends tax on payment and, where the dividend is paid through a regulated intermediary, liability for withholding dividends tax shifts to the intermediary. Dividends tax does not need to be withheld if a written declaration is obtained from the shareholder stating that they are either entitled to an exemption or to double tax relief.

Dividends tax withheld by the Group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (SARS) is included in "Trade and other payables" in the statement of financial position.

1(p) Dividends

Dividends are recorded in the Group's Annual Financial Statements in the period in which they are approved by the Group's shareholders.

Accounting Policies

1 (q) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

When the Group reacquires its own equity instruments, those instruments (treasury shares) shall be deducted from equity. In the event that the shares are cancelled upon reacquisition, share capital and share premium are respectively reduced with the original issue price of the shares reacquired. Any difference between the original issue price and the reacquisition price is recognised as an increase or decrease in the retained earnings. Where such treasury shares are acquired and held by other members of the consolidated Group, the consideration paid or received is recognised directly in equity as a treasury share reserve.

(ii) Share-based payments

The AfroCentric Investment Corporation Limited Group issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Vesting assumptions are reviewed at each reporting period to ensure that they reflect current expectations. The ACT Healthcare Assets Company and Group accounts for the share-based payment awards as cash settled share based awards, as ACT Healthcare Assets (Pty) Ltd and its subsidiaries need to reimburse AfroCentric Investment Corporation Limited for their share of the Group's total share based cost. The share-based payment expense is accounted for individually in each impacted subsidiary where the participants are employed. The Group's IFRS 2 share-based payment expense is recharged to the respective subsidiary which employs participants who qualify for participation in the scheme.

Accounting Policies

2. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

2 (a) Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the CGUs has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in Note 6 in these Annual Financial Statements.

2 (b) Carrying value of tangible and intangible assets

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

The carrying amount of tangible and intangible assets at 30 June 2020 was R487 million (June 2019: R432 million) and R2 695 million (June 2019: R2 556 million) respectively.

2 (c) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed annually and if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2 (d) Fair value measurement

For further details and main assumptions please refer to Note 5.3 in these Annual Financial Statements.

2 (e) Deferred tax assets

The deferred tax assets include an amount of R23 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies.

The assessed losses brought forward for these companies are expected to be utilised on an annual basis going forward. This is due to the expectation they will be generating taxable profits in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

2 (f) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events as disclosed in Note 29.

Accounting Policies

Critical accounting estimates and assumptions continued...

(i) Litigation liability

When AfroCentric Investment Corporation Limited acquired AfroCentric Health RF Proprietary Limited (AHL), AHL had an at acquisition contingent liability to the value of R83.5 million. The directors estimated the fair value of the contingent liability to be R8.35 million, and recognised an at-acquisition liability in line with IFRS 3 Business Combinations.

The fair value was determined by using the maximum loss and the potential impact of this liability materialising at the date of acquisition.

2 (g) Estimation of ECL allowance

The Group has historically had high-quality debtors and an impeccable repayment history. As a result there isn't a general provision model applicable to the Group.

The ECL for trade receivable for segments with a history of provisions of credit losses has been calculated using a Provision Matrix approach and Time Value of Money loss approach for segments with no history of credit losses.

Provision matrix (Funds and Government)

Provision matrix calculates the cash flows and then discounts those cash flows to calculate the real outstanding debtors (the outstanding debtors taking into account time value of money by subtracting the discounted cash flows from the initial outstanding debtors).

The roll rates, loss rates and ultimate loss rate are calculated which will be the percentage of trade debtors as at yearend that are written off.

Time value of money (Private, Healthcare and Retail)

The debtors whose expected credit losses are calculated using the time value of money are those that have not been previously or historically written off due to the fact that they are slow payers. The expected credit losses are therefore limited to the effects of the time value of money due to slow paying (the opportunity cost of delayed payments). Therefore, this is based on the premise that all debtors will be collected, the time value of money loss is the ultimate IFRS 9 impairment, and there is no credit loss.

Time value of money loss is calculated as (cash flows less discounted cash flows)/cash flows.

2 (h) Impairment of internally generated software

The carrying amount of internally generated software is tested annually for impairment. The recoverable amount of the cash-generating units ("CGU") has been determined based on the value-in-use calculation, being the net present value of the discounted cash flows of the CGU. The main assumptions applied in determining the net present value are:

» the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected;

» the weighted average cost of capital; and

» risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows.

2 (i) Principal versus agent

Activo Health (Pty) Ltd, Pharmacy Direct (Pty) Ltd and Curasana Wholesaler (Pty) Ltd individually carry the risks and rewards associated with the carrying of inventory. As a result they are regarded as principals for revenue recognition.

3. Financial risk management

General

Risk management is a priority issue because it affects every part of the business. It is a pre-emptive process that allows the Group and Company to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then to proactively create processes and measures for compliance.

Fundamentally, the Board's responsibility in managing risk is to protect the Group's employees, stakeholders and the Group in every facet. It fully accepts overall responsibility for risk management and internal control and in so doing the Board has deployed effective control mechanisms to prevent and mitigate the impact of risk.

Primary responsibility for risk management at an operational level rests with the Executive Committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group and Company.

The Retail, Healthcare and Administration business activities are exposed to a variety of financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk

The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Refer to Note 7 for classes of financial assets and liabilities.

(i) Currency risk

Currency risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and Eswatini as the currencies of these countries are fixed to the South African Rand.

Cash flows from the Group's other foreign investments (Botswana, Mauritius, Kenya and Zimbabwe) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula, the Zimbabwean RTGS and the US Dollar. The impact of foreign exchange risk on profit and loss amounted to R380 000 loss in the 2020 financial year (2019: R3.9million loss).

The Group manages its currency risk by minimising foreign exposure.

Financial risk management continued...

(ii) Cash flow and fair value interest rate risk

The Group is exposed to downside interest rate risk from external borrowings.

The Group's and Company's interest income arises from interest-bearing instruments and fixed deposits. The Group's Treasury manages excess funds on a daily basis into call/deposit accounts to ensure that the best yield is obtained for the Group.

The Group's interest expense arises from the Nedbank borrowings facilities.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and equity of an instantaneous increase of 2% (200 basis points) in the market interest rates for each class of financial instrument with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and Interest cover in respect of any relevant period shall not be less than 4:1. This helps management to manage the interest rate risk.

The Group further manages the risk through negotiating low interest rates, meeting debt obligations as they fall due, maintaining a good credit record, opting for fixed interest rate instruments where available and also through opting for sourcing funds within the Group rather than incurring external loans.

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value.

	Group		Company	
	Increase in 2% on statement of comprehensive income R'000		Increase in 2% on statement of comprehensive income R'000	
Instruments exposed	**2020**	**2019**	**2020**	**2019**
Bank balances and short-term investments	8,294	2,549	15	6
Borrowings	(10,739)	(1,472)	-	-
Total	**(2,445)**	**1,077**	**15**	**6**

	Decrease in 2% on statement of comprehensive income R'000		Decrease in 2% on statement of comprehensive income R'000	
	2020	**2019**	**2020**	**2019**
Bank balances and short-term investments	(8,294)	(2,549)	(15)	(6)
Borrowings	10,739	1,472	-	-
Total	**2,445**	**(1,077)**	**(15)**	**(6)**

Financial risk management continued...

Under these assumptions, a 2% increase in market interest rates at 30 June 2020 would decrease Group profit before tax by approximately R2 445 000 (June 2019: R1 077 000 increase) and Company profit before tax would increase by approximately R15 000 in June 2020 (June 2019: R6 000).
A decrease of 2% in market interest rates at 30 June 2020 would increase Group profit before tax by approximately R2 445 000 (June 2019: R1 077 000 decrease) and Company profit before tax would decrease by approximately R15 000 in June 2020 (June 2019: R6 000).

(iii) Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum rating of "BBB" are accepted (refer to Note 7.6). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company level.

A significant portion of the Group's and Company's client base comprises high credit quality financial institutions. Refer to Note 7.6 for the rating table.

No credit limits were exceeded during the reporting period. Individual limits are set for each client based on the factors above as assessed by management. These limits are monitored by management and ensured that they are not exceeded.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial risk management continued...

Expected credit losses (ECL) assessment for **individual customers** as at 30 June 2019 and 30 June 2020

The Group uses an allowance matrix to measure the ECL of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

A debtor is considered to be credit impaired if the following events are present:

• Significant financial difficulty of the issuer or debtor;

• A breach of contract, such as a default or delinquency in payments;

• It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

• The disappearance of an active market for that financial asset because of financial difficulties; or

• Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of issuers or debtors in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

Trade receivables are written off when there is no reasonable expectation of recovery.

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2020. Trade receivables' expected credit loss is calculated by using a combination of the weighted average loss rate and the time value money loss.

30 June 2020	Average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	0.89	285,850	2,556	No
30 days past due	0.33	70,606	230	No
60 days past due	3.22	15,436	497	No
90+ days past due	41.54	76,982	31,979	No
Total		**448,874**	**35,262**	

30 June 2019	Average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	-	298,415	-	No
30 days past due	-	51,389	-	No
60 days past due	-	12,733	-	No
90+ days past due	95.79	31,361	30,041	No
Total		**393,898**	**30,041**	

The group used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous change of 1% in the loss rates with all other variables remaining constant.

Financial risk management continued...

Under these assumptions a 1% increase in loss rate will result in a decrease in group profit before tax of R594 383 and a 1% decrease will result in an increase in group profit before tax of R458 040.

Expected credit losses (ECL) assessment for borrowings to related parties

There are no fixed terms of repayment of the intercompany loans. The loans are either paid when the lender calls on the payment or when a review has been undertaken of the outstanding balances.

On a monthly basis, the intercompany loans are reviewed to determine the quantum of what is owed and on a quarterly basis, the intercompany loans are settled where practical.

Inputs and assumptions used to determine the expected credit loss

For each borrower, the cash balances are initially compared to any external loans payable (for example the Nedbank Credit Facility) to determine whether the borrower would have sufficient cash resources to settle these external loans prior to settling any intercompany loans. The net asset value of the borrower post the settlement of any external loans is compared to the intercompany loans receivable to determine the ability to settle the loans.

Calculation of the expected credit losses

The probability of default is then determined based on the above information. In cases where the above inputs and assumptions are considered and it is noted that the borrower will not have sufficient resources to pay the intercompany loan, this is viewed as a significant increase in credit risk and the probability of default is assessed as being high. Where the borrower is considered to have sufficient resources to repay the intercompany loan, the intercompany loan is assessed to carry a low credit risk as the probability of default is low.
The loans are considered to be credit impaired in cases where the borrower has significant financial difficulty or where the borrower has defaulted on payments and it is probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements. Management monitors the cash position on a daily basis from a Group and Company level. Due to the dynamic nature of the underlying businesses, management ensures flexibility in funding by keeping committed credit facilities available.

Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flow.

The table below analyses all cash flows from the financial liabilities into the time buckets in which they are contractually due to be paid:

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial risk management continued...

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	Exceeding 1 year R'000	Total R'000
Year ended 30 June 2020 - Group						
Trade and other payables (Note 7.7)	(336,232)	(19,033)			-	**(355,265)**
Lease liability (Note 7.12)	(26,849)	(23,710)	(23,471)	(22,825)	(181,427)	**(278,282)**
Borrowings (note 7.13)	(30,000)	(30,000)	(30,000)	(30,000)	(266,311)	**(386,311)**
Year ended 30 June 2019 - Group						
Trade and other payables (Note 7.7)	(392,209)	(889)	(889)	(889)	-	**(394,876)**
Lease liability (7.12)	(15,388)	(15,388)	(15,388)	(15,388)	(261,104)	**(322,656)**
Borrowings (Note 7.13)	(30,000)	(30,000)	(30,000)	(30,000)	(371,566)	**(491,566)**
Loans from shareholders (Note 7.9)	(126,792)	(11,286)	-	-	-	**(138,078)**

Figures in R `000

Financial risk management continued...

(v) Capital risk management

The objective of the Group and Company when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group and Company monitors cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as "equity" as shown in the statement of financial position plus long-term debt.

During 2020, the Group's and Company's strategy, which was unchanged from 2019, was to maintain the gearing ratio within 0% to 15%.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and Interest cover in respect of any relevant period shall not be less than 4:1.

	2020 R'000	2019 R'000
Net debt	210,565	236,588
Total equity	3,137,322	2,760,270
EBITDA	885,756	778,004
Interest expense	77,826	56,186
Net debt to equity ratio	6.7%	8.6%
Net debt to EBITDA	0.43:1	0.30:1
Interest cover	11.38:1	13.8:1

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

4. Property, equipment and right of use asset

4.1 Property and equipment

	Land and building	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Reconciliation for the year ended 30 June 2020 - Group						
Balance at 1 July 2019						
At cost	193,183	99,034	18,869	131,383	267,937	**710,406**
Accumulated depreciation	(6,461)	(43,849)	(8,683)	(67,004)	(167,851)	**(293,848)**
Net book value	**186,722**	**55,185**	**10,186**	**64,379**	**100,086**	**416,558**
Movements for the year ended 30 June 2020						
Additions	79,253	4,676	5,311	14,028	33,701	**136,969**
Depreciation	(4,601)	(8,552)	(3,626)	(14,381)	(31,354)	**(62,514)**
Disposals		(12,230)	(220)	(1,839)	(4,767)	**(19,056)**
Property, plant and equipment at the end of the year	**261,374**	**39,079**	**11,651**	**62,187**	**97,666**	**471,957**
Closing balance at 30 June 2020						
At cost	271,603	97,653	22,778	141,818	267,785	**801,637**
Accumulated depreciation	(10,229)	(58,574)	(11,127)	(79,631)	(170,119)	**(329,680)**
Net book value	**261,374**	**39,079**	**11,651**	**62,187**	**97,666**	**471,957**
Reconciliation for the year ended 30 June 2019 - Group						
Balance at 1 July 2018						
At cost	123,648	69,589	18,655	166,803	234,894	**613,589**
Accumulated depreciation	(3,076)	(35,959)	(6,295)	(54,947)	(137,664)	**(237,941)**
Net book value	**120,572**	**33,630**	**12,360**	**111,856**	**97,230**	**375,648**

Figures in R `000

Property, equipment and right of use asset continued...

Movements for the year ended 30 June 2019						
Additions	3,912	20,054	226	42,109	32,557	**98,858**
Asset acquisitions through business combination	-	868	135	524	1,286	**2,813**
Depreciation	(3,386)	(7,890)	(2,388)	(12,057)	(30,187)	**(55,908)**
Reclassification	65,624	9,255	22	(75,122)	1,024	**803**
Disposals	-	(732)	(169)	(2,931)	(1,824)	**(5,656)**
Property, plant and equipment at the end of the year	**186,722**	**55,185**	**10,186**	**64,379**	**100,086**	**416,558**
Closing balance at 30 June 2019						
At cost	193,183	99,034	18,869	131,383	267,937	**710,406**
Accumulated depreciation	(6,461)	(43,849)	(8,683)	(67,004)	(167,851)	**(293,848)**
Net book value	**186,722**	**55,185**	**10,186**	**64,379**	**100,086**	**416,558**

** Land that was previously incorrectly mapped as furniture and fittings was reclassified to land and buildings. There is no depreciation impact on this reclassification as the land is not depreciated.*

Property, equipment and right of use asset continued...

4.2 Right of use asset

	Group R'000
Year ended 30 June 2020	
Opening carrying amount	290,136
Additions	18,182
Disposals	(1,146)
Lease modification	(411)
Depreciation charge	(71,781)
Closing carrying amount	234,980
At 30 June 2020	
At cost	384,264
Accumulated depreciation	(149,284)
Closing carrying amount	**234,980**
Year ended 30 June 2019	
Additions	388,717
Deduction as a result of the previous operating lease liability	(15,915)
Depreciation charge	(82,666)
Closing carrying amount	290,136
At 30 June 2019	
At cost	372,802
Accumulated depreciation	(82,666)
Closing carrying amount	**290,136**

5. Investment property

5.1 Balances at year end and movements for the year

	Group 2020	Group 2019	Company 2020	Company 2019
Balance at the beginning of the year at fair value	15,418	15,418	-	-
Balance at the end of the year at fair value	15,418	15,418	-	-

5.2 Fair value measurements

Investment property consists of land; portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation and is not occupied by the Group.

The valuation was prepared by an independent valuer, J van der Hoven in July 2020, a property practitioner from De Hoven Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

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Investment property continued...

5.3 Recognised fair value measurements

Fair value hierarchy

The following hierarchy is used to classify non-financial instruments for fair value measurement purposes:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020:

	Group Level 3 R'000
Year ended 30 June 2020	
Investment property	15,418
Year ended 30 June 2019	
Investment property	15,418

The assets disclosed above have been classified as a level 3 non-financial instruments, i.e. the inputs are not based on observable market data.

Group fair value measurements using significant unobservable inputs (level 3):

	Investment property R'000
Opening balance	15,418
Fair value (gains)/losses	-
Closing balance	**15,418**

Valuation inputs and relationships to fair value

The fair value of the investment property is derived by an external property valuer using the comparable sales method. In applying this approach the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable. The investment property is valued on an annual basis.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

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Investment property continued...

Description	**Fair value at 30 June**	**Unobservable inputs**	**Input value**	**Sensitivity of unobservable inputs on profit and loss**
Investment property	15,418	Price per block building rights per square metre	R1 500	If the fair value per square metre increased by 10% then the value of the property would increase by R1 541 790 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R1 541 790 in profit or loss.

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6. Intangible assets

	Brands and intellectual property	Pharmaceutical dossiers**	Internally generated software	Computer software	Goodwill	Customer relationships	Total
Reconciliation for the year ended 30 June 2020 - Group							
At 30 June 2019							
At cost	47,873	286,365	754,336	477,803	1,399,808	303,452	**3,269,637**
Accumulated amortisation	(39,934)	-	(166,416)	(198,180)	-	(187,144)	**(591,674)**
Accumulated impairment	-	-	(47,000)	(26,277)	(48,674)	-	**(121,951)**
Closing carrying amount 30 June 2019	**7,939**	**286,365**	**540,920**	**253,346**	**1,351,134**	**116,308**	**2,556,012**
Movements for the year ended 30 June 2020							
Additions****	-	-	203,318	80,713	22,216	-	**306,247**
Amortisation	(841)	(14,454)	(68,854)	(41,927)	-	(38,077)	**(164,153)**
Impairment loss recognised in profit or loss	-	-	-	(2,919)	-	-	**(2,919)**
Carrying value at 30 June 2020	**7,098**	**271,911**	**675,384**	**289,213**	**1,373,350**	**78,231**	**2,695,187**
At 30 June 2020							
At cost	47,873	286,365	957,654	535,312	1,422,024	303,452	**3,552,680**
Accumulated amortisation	(40,775)	(14,454)	(235,270)	(216,903)	-	(225,221)	**(732,623)**
Accumulated impairment	-	-	(47,000)	(29,196)	(48,674)	-	**(124,870)**
Closing carrying amount	**7,098**	**271,911**	**675,384**	**289,213**	**1,373,350**	**78,231**	**2,695,187**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

Reconciliation for the year ended 30 June 2019 - Group	Brands and intellectual property	Pharmaceutical dossiers**	Internally generated software	Computer software	Goodwill	Customer relationships	Total
At 30 June 2018							
Cost	47,873	-	607,499	431,425	926,900	269,558	**2,283,255**
Accumulated amortisation	(37,703)	-	(131,164)	(147,293)	-	(164,573)	**(480,733)**
Accumulated impairment	-	-	-	(20,024)	(43,412)	-	**(63,436)**
Closing carrying amount 30 June 2018	**10,170**	**-**	**476,335**	**264,108**	**883,488**	**104,985**	**1,739,086**
Movements for the year ended 30 June 2019							
Take on balance	-	-	-	29,177	-	-	**29,177**
Business acquisitions*	-	-	-	-	472,908	282,600	**755,508**
Additions	-	-	186,837	54,860	-	-	**241,697**
Amortisation	(2,231)	-	(35,252)	(50,887)	-	(22,571)	**(110,941)**
Impairment loss recognised in profit or loss	-	-	(47,000)	(6,253)	(5,262)	-	**(58,515)**
Derecognition	-	-	(40,000)	-	-	-	**(40,000)**
Reclassification***		286,365		(37,659)		(248,706)	-
Carrying value at 30 June 2019	**7,939**	**286,365**	**540,920**	**253,346**	**1,351,134**	**116,308**	**2,556,012**
At 30 June 2019							
Cost	47,873	286,365	754,336	477,803	1,399,808	303,452	**3,269,637**
Accumulated amortisation	(39,934)	-	(166,416)	(198,180)	-	(187,144)	**(591,674)**
Accumulated impairment	-	-	(47,000)	(26,277)	(48,674)	-	**(121,951)**
Closing carrying amount 30 June 2019	**7,939**	**286,365**	**540,920**	**253,346**	**1,351,134**	**116,308**	**2,556,012**

** The recognition of goodwill (R472 million) and customer relationships (R283 million) is as a result of the business combinations in the prior financial year.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

*** Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.*

**** Pharmaceutical dossiers that were previously recognised in computer software and customer relationships were reclassified to a separate category, Pharmaceutical dossiers. The reclassification has no impact on the amortisation as the pharmaceutical dossiers continued to be amortised at the same useful life as when they were classified in computer software and customer relationships.*

***** In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a preacquisition dividend was declared and payment effected in December 2019. In terms of IFRS 3 Business Combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period), resulting in an increase in Goodwill.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Intangible assets continued...

A summary per CGU of the goodwill allocation is presented below:				
Healthcare administration SA CGU				
Medscheme - healthcare administration	274,972	274,972	-	-
Medscheme – health risk management	89,298	89,298	-	-
Aid for AIDS Management Proprietary Limited – healthcare administration	23,490	23,490	-	-
Allegra Proprietary Limited – healthcare IT support	1,268	1,268	-	-
AfroCentric Distribution Services Proprietary Limited – healthcare marketing support	835	835	-	-
Klinikka Proprietary Limited – medical equipment supplier	2,435	2,435	-	-
Wellness Odyssey – healthcare wellness days	14,857	14,857	-	-
Tendahealth – healthcare insurance broker	1,162	1,162	-	-
Scriptpharm – chronic scripts claim	2,699	2,699	-	-
Essential Group – healthcare insurance	9,333	9,333	-	-
AfroCentric Integrated Corporate Solutions Group – healthcare administration	38,096	38,096	-	-
Workcare – healthcare administration	771	771	-	-
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	4,969	4,969	-	-
Medscheme Mauritius Limited – international administration	10,566	10,566	-	-
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden (PD, CS and GE)	473,954	473,954	-	-
Activo*	424,645	402,429	-	-
Total	**1,373,350**	**1,351,134**	**-**	**-**

** In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a pre-acquisition dividend was declared and payment effected in December 2019. In terms of IFRS 3: Business Combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period), resulting in an increase in Goodwill.*

Notes to the Consolidated and Separate Financial Statements

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Intangible assets continued...

Management determines the recoverable amount of Cash Generating Units (CGUs) as being the higher of fair value less costs to sell or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the CGU has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation as well as business-specific expectations.

Assumptions used in the determination of the discount rate are as follows:

• The estimated revenues to be earned from the use of the assets;
• The forecast period over which those revenues are projected;
• An average growth rate;
• The weighted average cost of capital (WACC) which is the discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
• Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
• The rate on government bonds (risk-free rate) of 7.32% as at 30 June 2020 (30 June 2019: 8.12%);
• A market risk premium of 7.7% (2019: 6.5%) is justified as the overall risk is to the downside; and
• The Beta is 0.92 as at 30 June 2020 (30 June 2019: 0.9).

The inputs above were adjusted for geographical and entity specific risk.

The following table sets out the key assumptions for those CGUs that management considers the most significant to the Group

	Recoverable amount R'000	WACC	Forecast period	Average growth rate
2020				
Medscheme – admin and managed care	4,746,798	13.16	5 years	6 %
Activo	941,072	13.16	5 years	7 %
Pharmacy Direct, Curasana and Glen Eden	1,243,246	13.16	5 years	7 %
2019				
Medscheme – admin and managed care	4,033,937	12.59	5 years	6 %
Activo	858,574	12.59	5 years	6 %
Pharmacy Direct, Curasana and Glen Eden	433,504	12.59	5 years	6 %

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used in determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development specifically taking into account the impact that the COVID-19 pandemic is expected to have on future earnings. Medscheme – admin and managed care: » Average revenue increases in the forecast period have been muted with 4% growth expected in revenue. » Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies. » The Group will continue with system renewals and upgrades to explore better and more cost efficient ways in servicing and engaging its customers/members. » These programmes are expected to enable the Group to achieve 6% growth. Activo, Pharmacy Direct, Curasana and Glen Eden: The pharmaceutical related component yielded significant growth during the year, particularly during the stressful time under COVID-19. This included the increasing volume of activity in Pharmacy Direct. » The more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of Group deliveries during lockdown, at work or home, proved extremely valuable to those dependent on their chronic medications and other requirements. » The trends experienced are expected to continue in the forecast period. This, together with the cost efficiency embarked on, resulted in a growth rate of 7% being applied.
WACC (%)	Rate the Company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant segment.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

Sensitivity analysis: impact of possible changes in key assumptions (growth rate, terminal growth rate and WACC) on the recoverable amount

				Growth rate		
				Worst case R'000 Medscheme: 4.5% PD, CS, GE & Activo: 6%	Base case R'000 Medscheme: 5.5% PD, CS, GE & Activo: 7%	Best case R'000 Medscheme: 6.5% PD, CS, GE & Activo: 8%
Medscheme	**WACC**	Worst case	14.68%	3,569,114	3,960,039	4,446,512
		Base case	13.16%	4,196,305	4,746,798	5,462,565
		Best case	13.29%	4,667,372	4,134,079	5,357,702
Pharmacy Direct, Curasana and Glen Eden		Worst case	14.68%	666,139	754,390	869,052
		Base case	13.16%	807,955	941,072	1,125,768
		Best case	13.29%	793,489	921,544	1,097,996
Activo		Worst case	14.68%	901,073	993,833	1,113,273
		Base case	13.16%	1,095,792	1,243,246	1,446,444
		Best case	13.29%	1,075,709	1,216,888	1,410,066

(i) Impairment assessment

During the period under review, management embarked on a process of assessing the internally generated intangible assets for potential impairment. Following from this process, an impairment loss was recognised for the following system:

• R2.9 million in respect of the Solatium system – an impairment has been recognised as there are no expected cash flows from the system, resulting in the recoverable amount not being able to be substantiated.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

7. Financial instruments

7.1 Financial instruments by category

Financial assets	At amortised cost R'000
Year ended 30 June 2020 - Group	
Investment in holding company (note 7.10)	7,380
Other investments (note 12)	3,711
Loan to holding company (Note 7.9)	29,958
Trade and other receivables excluding prepayments (Note 7.4)	466,065
Cash and cash equivalents (Note 7.6)	175,746
	682,860

Year ended 30 June 2019 - Group	
Trade and other receivables excluding prepayments (Note 7.4)	399,842
Investment in holding company (note 7.10)	9,900
Cash and cash equivalents (Note 7.6)	254,979
	664,721

Financial assets	At amortised cost R'000
Year ended 30 June 2020 - Company	
Trade and other receivables (Note 7.4)	10,038
Cash and cash equivalents (Note 7.6)	489
	10,527

Year ended 30 June 2019 - Company	
Trade and other receivables (Note 7.4)	10,059
Cash and cash equivalents (Note 7.6)	634
	10,693

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

Financial liabilities

7.2 Financial liabilities by category

	Designated at fair value	At amortised cost	Total
Year ended 30 June 2020 - Group			
Lease liability (note 7.12)	-	278,282	**278,282**
Borrowings (Note 7.13)	-	386,311	**386,311**
Trade and other payables excluding non-financial liabilities (Note 7.7)	-	355,265	**355,265**
Year ended 30 June 2019 - Group			
Lease liability (note 7.12)	-	322,655	**322,655**
Borrowings (Note 7.13)	-	491,566	**491,566**
Loan from holding company (Note 7.9)	-	115,506	**115,506**
Trade and other payables excluding non-financial liabilities (Note 7.7)	-	394,862	**394,862**
Deferred payment (note 31)	7,335	-	**7,335**
Year ended 30 June 2020 - Company			
Loan from group company (Note 7.8)	-	2,418	**2,418**
Year ended 30 June 2019 - Company			
Loan from group company (Note 7.8)	-	78,606	**78,606**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

7.3 Trade receivables

Ageing of trade and other receivables

	Group				
	Current R'000	**30 days R'000**	**60 days R'000**	**90+ days R'000**	**Total R'000**
June 2020					
Gross trade debtors	285,942	70,606	15,436	76,890	448,874
Expected credit losses	(2,556)	(230)	(497)	(31,979)	(35,262)
Net trade debtors	283,386	70,376	14,939	44,911	413,612
Past due but no expected credit loss	-	-	14,939	44,911	59,850
Other receivables	2,837	3,278	-	-	6,115
Sundry debtors	38,629	615	-	-	39,244
Deposits	-	-	-	7,094	7,094
June 2019					
Gross trade debtors	298,415	51,389	12,733	31,361	393,898
Expected credit losses	-	-	-	(30,041)	(30,041)
Net trade debtors	298,415	51,389	12,733	1,320	363,857
Past due but no expected credit loss	-	51,389	12,733	2,348	66,470
Other receivables	618	52	1,187	222	2,079

Disclosure of trade debtors	**Group June 2020**	**Group June 2019**	**Company June 2020**	**Company June 2019**
Gross trade debtors	448,874	393,898	-	-
Loss allowance for trade receivables as above	(35,262)	(30,041)	-	-
Net trade debtors	413,612	363,857	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Financial instruments continued...

Movement in the loss allowance for trade receivables are as follows:

At the beginning of the year	30,041	24,800	-	-
Increase in loss allowance recognised in profit or loss during the year	5,221	2,423	-	-
Amounts restated through opening retained earnings	-	2,818	-	-
At the end of the year	**35,262**	**30,041**	-	-

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all the trade receivables.

To measure the ECL, trade receivables have been grouped based on the shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the annual gross domestic product (GDP) rate and average prime lending rate to be the most relevant factors and accordingly, adjusts the historical loss rates based on expected changes in these factors.

The Group has assessed the impact of the COVID-19 on expected further payments and deemed the impact to be immaterial for the following reason:

• The Group's debtors have been historically good payers with minimal provisions and write-offs experienced

• The Group entities largest customers are medical aid schemes and payment is made within agreed payment period.

• The Group entities have continued operating under the respective lockdown regulation, contracts with customers have not been affected and contractual conditions have been met with no impact.

7.4 Trade and other receivables

Trade debtors	413,612	363,857	-	-
Sundry debtors**	39,244	32,060	10,038	10,059
Prepayments*	39,818	130,402	-	-
Deposits	7,094	3,925	-	-
Other receivables	6,115	-	-	-
Value added tax	38	-	-	-
Total trade receivables	**505,921**	**530,244**	**10,038**	**10,059**

* *Prepayments are not financial instruments but are included in trade and other receivables.*

** *Please refer to note 35 for details of the restatements.*

All receivables are current. The carrying amounts of all trade and other receivables approximate fair value due to the short-term nature of the receivables, hence the impact of discounting is immaterial.

Notes to the Consolidated and Separate Financial Statements

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Financial instruments continued...

7.5 Financial instruments at fair value through profit and loss

	Group and Company			
	Opening fair value R'000	**Fair value gains and losses R'000**	**Disposals/ transfer to short term R'000**	**Closing fair value R'000**
2020				
Investment in AAR Insurance Kenya	-	-	-	-
2019				
Non-current assets				
Investment in AAR Insurance Kenya	9,000	(9,000)	-	-
	9,000	**(9,000)**	**-**	**-**

Significant estimates

The fair value of the investment in AAR Insurance Holdings Kenya is not traded in an active market and as a result is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Financial instruments continued...

7.6 Cash and cash equivalents

Cash at bank and short-term deposits				
Ba1 – FNB Limited	16,329	20,084	-	-
AA – Bank Windhoek Limited	18,691	20,837	-	-
Ba1 – Nedbank Limited*	136,691	200,438	489	634
Baa3 – Standard Bank Limited**	1,800	9,642	-	-
Baa3 – ABSA Bank Limited	-	1,693	-	-
BBB+ – Sasfin Limited*	93	88	-	-
zaA+ – Sanlam Limited	2,142	2,197	-	-
Total cash at bank and short-term bank deposits	**175,746**	**254,979**	**489**	**634**

** The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.*

*** Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category.*

The ratings for Nedbank Limited, FNB Limited and Standard Bank Limited were obtained from Moody's.

The ratings for Sasfin Limited and Bank Windhoek Limited were obtained from Global Credit Rating Company.

The rating for Sanlam Limited was obtained from Standard & Poor's.

The rating scores are based on the following broad investment grade definitions:

AA	Very high credit quality relative to other issuers or obligations in the same country. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk although not significantly.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
BBB	Adequate protection factors relative to other issuers or obligators in the same country. However, there is considerable variability in risk during economic cycles.
Ba1	Obligations rated Ba1 signify higher degrees of default risk.

Cash	126,075	155,382	489	634
Short term deposits*	49,671	99,597	-	-
	175,746	**254,979**	**489**	**634**

** Short-term deposits relate to cash at the year-end deposited into specific bank accounts.*

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Financial instruments continued...

7.7 Trade and other payables

		Restated**		
Trade payables*	234,145	278,149	-	-
Payroll creditors	19,727	34,789	-	-
Accruals	57,295	57,918	-	-
Shareholders for dividends	1,103	1,163	-	-
Other payables*	41,013	20,466	-	-
Inseta funding	1,982	2,391	-	-
Total trade and other payables	**355,265**	**394,876**	-	-

** All trade and other payables are current and are expected to be settled within the next 12 months. The carrying values at the year-end approximate their fair values due to the short-term nature of the payables, hence the impact of discounting is immaterial.*

*** Refer to note 35.5 for details of the restatement.*

7.8 Loans to / (from) group companies

Loans to / (from) group company comprise the following balances:

AfroCentric Health RF Proprietary Limited	-	-	(2,418)	(78,606)

The loan with AfroCentric Health RF Proprietary Limited is unsecured, interest free and payable on demand.

Current assets	-	-	-	-
Current liabilities	-	-	(2,418)	(78,606)
	-	-	(2,418)	(78,606)

7.9 Loans to / (from) holding company

Loans to / (from) holding company comprise the following balances:

AfroCentric Investment Corporation Limited	29,958	(115,506)	-	-

The loan with AfroCentric Investment Corporation Limited is unsecured, bears interest at the prime lending rate and is payable on demand.

7.10 Investment in holding company

Investment in holding company comprise the following balances

Investment held in AfroCentric Investment Corporation Limited

1 999 999 shares @ 575 cents each	9,900	11,500	-	-
Fair value (loss)/gain	(2,520)	(1,600)	-	-
1 999 999 shares @ 369 cents each	**7,380**	**9,900**	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Financial instruments continued...

7.11 Recognised fair value measurements

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including level 3 fair values (excluding the investment property). The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment at that point in time.

Fair value hierarchy

The following hierarchy is used to classify financial and non-financial instruments for fair value measurement purposes:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table presents the Groups assets and liabilities that are measured at fair value at 30 June 2020:

2020	Group		
	Level 1	**Level 2**	**Level 3**
Investment in holding company	7,380 -	-	-
	7,380 -	**-**	**-**

2019	Group		
	Level 1	**Level 2**	**Level 3**
Investment in holding company	9,900	-	-
	9,900	**-**	**-**

Specific valuation techniques used to value financial and non-financial instruments include:

• the fair value of the investment in holding company is determined using the quoted market price on the Johannesburg Stock Exchange.

7.12 Lease liability - lease payment reconciliations

Gross finance lease obligations - minimum lease payments				
Not later than one year	96,855	61,551	-	-
Later than one year and not later than five years	181,427	261,104	-	-
Present value of finance lease obligations net of impairments	**278,282**	**322,655**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Financial instruments continued...

Movement in lease liability are as follows:

	June 2020 R'000	June 2019 R'000
At the beginning of the period	322,655	-
Lease liability recognised per IFRS 16	18,182	385,307
Disposals	(3,818)	-
Lease modification	(494)	-
Interest accrued	27,886	31,822
Lease payments made	(86,129)	(94,474)
Balance at the end of the year	**278,282**	**322,655**

7.13 Borrowings

	Group 2020	Group 2019	Company 2020	Company 2019
Nedbank facility (1 year +)	266,311	371,566	-	-
Nedbank facility (0 - 1 year)	120,000	120,000	-	-
	386,311	**491,566**	**-**	**-**

Classification of borrowings

	Group 2020	Group 2019	Company 2020	Company 2019
Amortised cost	386,311	491,566	-	-

Movement in borrowings are as follows:

	June 2020 R'000	June 2019 R'000
At the beginning of the period	491,566	-
Borrowings acquired during the period	50,000	550,000
Interest accrued	41,319	12,813
Interest repaid	(41,319)	(12,813)
Capital repaid	(155,255)	(58,434)
Balance at the end of the year	386,311	491,566

Compliance with loan covenants

During the prior period, Nedbank issued a revolving loan facility totalling R900 million (of which R386 million has been utilised) to the Group of which amounts shall be applied to funding the working capital and general corporate requirements of the Group. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable: Margin and (JIBAR).

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:1 (refer to Note 3 (v)).

Investments in subsidiaries, joint ventures and associates continued...

8.1.1 Details of the Group's material associates at the end of the reporting period are as follows:

30 June 2020

	Reporting date	Number of shares held	Percentage holdings	Opening carrying amount R'000	Share of after tax profit/(losses) R'000	Dividends received/paid R'000	Additions/ (Disposals)	Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	24,000	49	29,943	7,990	(4,626)	-	33,307

30 June 2019

	Reporting date	Number of shares held	Percentage holdings	Opening carrying amount R'000	Share of after tax profit/(losses) R'000	Dividends received/paid R'000	Additions/ (Disposals)	Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	24,000	49%	8,337	5,274	(4,168)	20,500	29,943
Activo Health Proprietary Limited	30 June	100	100%	43,950	13,205	-	(57,155)	-
Invisible Card Company Proprietary Limited	30 June	30	40%	-	-	-	-	-
The Cheese Has Moved Proprietary Limited	30 June	51	51%	4,648	-	-	(4,648)	-
AfroCentric Health Solutions Limited (Kenya Investments)	31 December	26	26.%	-	-	-	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Investments in subsidiaries, joint ventures and associates continued...

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	Group	
	June 2020 R'000	**June 2019 R'000**
Non-current assets (excluding intangible assets)	2,781	13,362
Intangible assets	520	-
Current assets	51,600	27,495
Total assets	**54,901**	**40,857**
Non-current liabilities	-	-
Current liabilities	11,443	7,988
Total liabilities	**11,443**	**7,988**
Net assets	**43,458**	**32,869**
Revenue	100,582	66,093
Profit or loss from continuing operations	16,305	10,970
Post-tax profit or loss	16,305	10,970
Other comprehensive income	-	-
Total comprehensive income attributable to ordinary shareholders	16,305	10,970

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Investments in subsidiaries, joint ventures and associates continued...

8.2 Investments in subsidiaries

The Company holds the following investments in subsidiaries at cost:

			Company 2020	Company 2019
AfroCentric Health RF Proprietary Limited			530,522	530,522
Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited			347,137	347,137
Activo Health Proprietary Limited			758,109	758,109
Scriptpharm Risk Management Proprietary Limited			2,700	2,700
Glen Eden Trading 58 Proprietary Limited			233,346	233,346
Mmed Distribution Proprietary Limited			-	-
Unlisted investments at cost			**1,871,814**	**1,871,814**

Name of subsidiary	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2020				
Directly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	100	
Glen Eden Trading 58 Proprietary Limited	Pharmaceutical	South Africa	100	
Pharmacy Direct Proprietary Limited	Pharmaceutical	South Africa	100	
Curasana Wholesalers Proprietary Limited	Pharmaceutical	South Africa	100	
Activo Health Proprietary Limited	Pharmaceutical	South Africa	100	
Mmed Distribution Proprietary Limited	Pharmaceutical	South Africa	70	30
Scriptpharm Risk Management Proprietary Limited	Pharmaceutical	South Africa	80	20
Indirectly held				
Medscheme Holdings Proprietary Limited	Healthcare administration	South Africa	100	
2019				
Directly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	100	
Glen Eden Trading 58 Proprietary Limited	Pharmaceutical	South Africa	100	
Pharmacy Direct Proprietary Limited	Pharmaceutical	South Africa	100	
Curasana Wholesalers Proprietary Limited	Pharmaceutical	South Africa	100	
Activo Health Proprietary Limited	Pharmaceutical	South Africa	100	
Mmed Distribution Proprietary Limited	Pharmaceutical	South Africa	70	30
Scriptpharm Risk Management Proprietary Limited	Pharmaceutical	South Africa	80	20
Indirectly held				
Medscheme Holdings Proprietary Limited	Healthcare administration	South Africa	100	

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

9. Deferred tax

Analysed in the statement of financial position, after offset of balances within companies, as follows:

Deferred tax assets	151,407	151,611	-	-
Deferred tax liabilities	(326,341)	(338,710)	(556)	(556)
	(174,934)	**(187,099)**	**(556)**	**(556)**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Deferred tax continued...

Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:

Group	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Lease liability R'000	Income received in advance R'000	Land R'000	Right of use asset R'000	Total R'000
Deferred tax assets											
Opening balance at 1 July 2019	-	-	37,802	-	12,839	-	100,401	569	-	-	151,611
(Charged) / credited to profit or loss	-	-	9,628	-	10,216	-	(20,101)	53	-	-	(204)
Closing balance at 30 June 2020	-	-	**47,430**	-	**23,055**	-	**80,300**	**622**	-	-	**151,407**
Deferred tax liabilities											
Opening balance at 1 July 2019	(130,194)	(556)	-	(3,802)	-	(107,985)		-	(1,540)	(94,633)	(338,710)
(Charged) / credited to profit or loss	(28,747)	556		574		10,449		-	1,540	27,997	12,369
Closing balance at 30 June 2020	**(158,941)**	-	-	**(3,228)**	-	**(97,536)**	-	-	-	**(66,636)**	**(326,341)**
Deferred tax assets											
Opening balance at 1 July 2018	-	-	26,947	-	17,169	-	-	340	-	-	44,456
(Charged) / credited to profit or loss	-	-	10,855	-	(4,330)	-	100,401	229	-	-	107,155
Closing balance at 30 June 2019	-	-	**37,802**	-	**12,839**	-	**100,401**	**569**	-	-	**151,611**
Deferred tax liabilities											
Opening balance at 1 July 2018	(96,709)	-		(3,286)		(31,602)		-	**(1,540)**	-	(133,137)
(Charged) / credited to profit or loss	(33,485)	(556)		(516)		(76,383)		-	-	**(94,633)**	(205,573)
Closing balance at 30 June 2019	**(130,194)**	**(556)**	-	**(3,802)**	-	**(107,985)**	-	-	**(1,540)**	**(94,633)**	**(338,710)**

* *As a result of the increase in operations, the companies will generate sufficient income which will be utilised against the assessed loss going forward.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Deferred tax continued...

Company	Investment R'000	Assessed loss* R'000	Total R'000
Deferred tax assets			
Deferred tax liabilities			-
Opening balance at 1 July 2019	(556)	-	(556)
(Charged) / credited to profit or loss	-	-	-
Closing balance at 30 June 2020	(556)	-	**(556)**
Deferred tax assets			
Opening balance at 1 July 2018	-	126	126
(Charged) / credited to profit or loss	-	(126)	(126)
Closing balance at 30 June 2019	-	-	-

** As a result of the increase in operations, the companies will generate sufficient income which will be utilised against the assessed loss going forward.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019
10. Inventory				
Finished goods*	200,261	185,384	-	-
Merchandise	99,589	98,348	-	-
Merchandise provision for obsolescence	(2,000)	-	-	-
Inventory on hand at year-end	**297,850**	**283,732**	**-**	**-**

** The Finished goods balance consists of the inventory at hand net of the unearned fees relating to Single Exit Price (SEP) applied.*
*** Refer to Note 35.3 for the details of the restatement.*

Merchandise refers to pharmaceutical products that are on hand at year-end.

The finished goods on hand at year-end relates to specialised equipment that will be sold in the next financial period.

11. Current tax assets and liabilities

Current tax assets and liabilities comprise the following balances	Group 2020	Group 2019 Restated*	Company 2020	Company 2019
Net current tax asset from all items being set off	30	581	-	-
Current tax assets that cannot be set off	25,426	33,586	-	-
Total current tax asset per the statement of financial position	**25,456**	**34,167**	**-**	**-**
Net current tax liability from all items being set off	-	-	(19)	(23)
Current tax liabilities that cannot be set off	(33,086)	(32,280)	-	-
Total current tax liability per the statement of financial position	**(33,086)**	**(32,280)**	**(19)**	**(23)**

** Refer to note 35.1 for details of the restatement.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

12. Other investments

Other investments comprise the following balances

Unlisted investment	3,711	-		

The unlisted equity investment relates to an investment in a venture capital fund and is measured at FVTPL. The investment vehicle has the mandate of reinvesting capital funds. The objective is to generate returns for the holder of shares in the form of dividends.

The total shareholding percentage is less than 20% and as such, no significant influence is exercised over the venture capital fund.

The investment is classified as a financial asset and is measured at FVTPL due to it being an equity investment.

Fair value hierarchy

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

	Level 3
Year ended 30 June 2020 - Group	
Unlisted investment	3,711
Year ended 30 June 2019 - Group	
Unlisted investment	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

13. Issued share capital

Authorised:				
2 000 ordinary shares	2	2	2	2
	2	**2**	**2**	**2**
Issued:				
1 000 ordinary shares	1	1	1	1
- Closing balance	1	1	1	1

14. Share premium

Closing balance	**1,131,143**	**1,131,143**	**1,131,143**	**1,131,143**

The share premium arose as a result of the acquisition of an effective 28.7% in ACT Healthcare Assets by Sanlam Limited for R703 million in the 2016 financial year.

15. Other reserves

	Group		
	Foreign currency translation reserve R'000	Non-distributable reserve R'000	Total reserves R'000
Balance as at 30 June 2018	793	2,179	2,972
Other comprehensive income	(3,908)	-	(3,908)
Balance as at 30 June 2019	(3,115)	2,179	(936)
Other comprehensive income	(380)	(18)	(398)
Reclassification between reserves*	(11,138)		(11,138)
Balance as at 30 June 2020	**(14,633)**	**2,161**	**(12,472)**

** The foreign currency translation reserve relating to Medscheme Mauritius Limited was reclassified from retained earnings to the foreign currency translation reserve.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019
16. Non-controlling interest				
Balance at the beginning of the year	64,737	53,522		
Dividend distributions (Note 27)	(21,354)	(10,341)		
Non-controlling interest on acquisition of subsidiaries	-	3,644		
Non-controlling interest on change of ownership without loss of control	3,566	-		
Share of net profit of subsidiaries	28,546	17,912		
	75,495	**64,737**		

Transactions with non-controlling interests

During the current period, Medscheme Mauritius Limited (MTIUS) and Medscheme Holdings Proprietary Limited (Medscheme) entered into a transaction with Eagle Insurance Limited (MEI) for the acquisition of shares by MEI in MTIUS.

Prior to the transaction, Medscheme held 100% of the shares in MTIUS. On transaction date, MTIUS issued new shares for 15 million Mauritian Rupees, resulting in 30% of its shares being held by MEI.

Medscheme retained control of MTIUS after the transaction, holding 70% of the issued shares.

On transaction date, the Group recognised an increase in non-controlling interests of R 3.7 million and a profit resulting from the dilution amounting to R1.9 million.

On 1 October 2019 the Group acquired the remaining 17.2% in iThrive Business Solutions Group for R9.6 million.

The Group recognised a decrease in non-controlling interests of R143 167 with a corresponding increase in equity attributable to owners of the parent.

The transactions listed above did not result in a loss of control and were therefore accounted for as equity transactions, with the resultant adjustments being recognised directly in equity.

	iThrive Business Solutions R'000	Medscheme Mauritius Limited R'000	Total R'000
Retained earning	143	1,902	2,045
Non-controlling interest	(143)	3,709	3,566
Total equity	**-**	**5,611**	**5,611**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

17. Provisions

17.1 Provisions comprise:

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019
Audit fee provisions	6,111	7,568	216	-
Current portion	**6,111**	**7,568**	**216**	**-**
	6,111	**7,568**	**216**	**-**

17.2 Provisions for employee benefits

	Group		
	Leave pay	Bonuses	Total
Balance at 30 June 2018	43,819	6,138	49,957
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	20,332	80,231	100,563
Utilised during the year	(17,856)	(44,626)	(62,482)
Balance at 30 June 2019	**46,295**	**41,743**	**88,038**
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	108,150	104,384	212,534
- amounts reversed		(3,578)	(3,578)
Utilised during the year	(109,129)	(85,089)	(194,218)
Balance at 30 June 2020	**45,316**	**57,460**	**102,776**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

18. Post-employment medical obligations

The Medscheme Group operates a post-employment medical benefit scheme. Eligible members are entitled to a fixed rand amount subsidy based on their medical scheme contributions. This post-employment medical benefit scheme is the present value of the employer's share of the expected medical scheme contributions to be paid in respect of current and future continuation members. IAS19 requires that companies should have provided for the liability by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of retirement or death in service. Although the post-employment liability usually only vests at retirement or death in service and is generally not dependent on the length of service that an employee has had with the employer, the liability accrues uniformly whilst in service.

The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2020 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

	Group June 2020 R'000	Group June 2019 R'000
Balance at the end of the year	**2,594**	**2,610**

The amounts recognised in the Statement of comprehensive income are as follows:

	Group June 2020 R'000	Group June 2019 R'000
Interest cost	192	204
Expected benefit payment	(445)	(443)
Net actuarial loss/(gain) recognised in the current year	237	185
Net movement for the year	**(16)**	**(54)**

The amount recognised in the Statement of financial position is determined as follows:

	Group June 2020 R'000	Group June 2019 R'000
Present value of funded obligations	2,610	2,664
Interest cost	192	204
Expected employer benefit payments	(445)	(443)
Actuarial loss/(gain)	237	185
Accrued liability in excess of plan assets	**2,594**	**2,610**

Assets and liabilities recognised in the Statement of financial position is as follows:

	Group June 2020 R'000	Group June 2019 R'000
Present Value of Funded Obligations	-	-
Fair Value of Plan Assets	-	-
Present Value of Unfunded Obligations	**2,594**	**2,610**
Accrued liability in excess of plan assets	**2,594**	**2,610**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Post-employment medical obligations continued...

The risks faced by Group as a result of the post-employment healthcare obligation can be summarised as follows:

• Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.

• Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.

• Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.

• Future changes in legislation: The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Group.

• Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for Group

• Administration: Administration of this liability poses a burden to Group.

• Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.

	Group 2020	Group 2019
The principal actuarial assumptions used were as follows:		
Discount rate	**7.20% p.a.**	**8.10% p.a.**
Health care cost inflation	**4.40% p.a.**	**6.70% p.a.**
Post-retirement mortality	**PA(90)***	**PA(90)***

* Ultimate table rated down 2 years with a 1% improvement p.a from a base year of 2006

No explicit assumption was made about additional mortality or health care costs due to AIDS.

The liability was recalculated to show the effect of:

• A one percentage point decrease or increase in the rate of health care cost inflation;

• A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 4.40% p.a;

• A one percentage point decrease or increase in the discount rate;

Disclosure Requirement Paragraph 145 of IAS 19	**Health Care Cost Inflation**		
	Central Assumption 4.40%	**-1%**	**1%**
Accrued liability 30 June 2020 (R 'Million)	2,594	2,577	2,612
%Change	-	-0.70%	-0.70%
Current service costs + Interest Cost 2020/21	0.170	0.168	0.171
%Change	-	-1.20%	0.60%

Sensitivity Results from Previous Valuation	**Central Assumption 6.70%**	**-1%**	**1%**
Current service costs + Interest Cost 2019/20 (R 'Million)	0.192	0.191	0.194
%Change	-	-0.50%	1.00%

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Post-employment medical obligations continued...

	Health Care Cost Inflation		
	Central Assumption 4.40%	**+5% for 5 years**	**+10% for 5 years**
Accrued liability 30 June 2020 (R 'Million)	2,594	2,654	2,725
%Change	-	2.30%	5.10%

	Discount Rate		
	Central Assumption 7.20%	**-1%**	**1%**
Accrued liability 30 June 2020 (R 'Million)	2,594	2,720	2,479
%Change	-	4.90%	-4.40%

19. Leases

	Group	
	June 2020 R'000	**June 2019 R'000**
Amounts recognised in the statement of financial position		
The statement of financial position shows the following amounts relating to leases:		
Non-current assets		
Right of use asset	234,980	290,136
Non-current liabilities		
Lease liabilities	181,427	261,104
Current liabilities		
Lease liabilities	96,855	61,551
Amounts recognised in statement of profit or loss		
Depreciation	71,781	82,666
Interest expense	27,888	31,822
Expense relating to short-term leases	12,332	10,544

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

20. Revenue

20.1 Revenue comprises:

Revenue from sale of goods	1,884,589	1,722,521	-	-
Administration fees	1,558,786	1,507,340	-	-
Health risk management fees - Medical aid schemes	1,218,151	1,192,380	-	-
Health risk management fees - Capitation funds	1,011,817	317,258	-	-
Management fees	21,926	33,967	-	-
IT revenue and other	503,713	401,016	-	-
Marketing fees	209,757	96,280	-	-
Healthcare insurance	36,632	28,919	-	-
Revenue from performance of services	4,560,782	3,577,160	-	-
Total revenue from contracts with customers	**6,445,371**	**5,299,681**	**-**	**-**

** Due to the significant increase in revenue from prior year, it was deemed appropriate to disaggregate this revenue stream in the current year.*

20.2 Sources of revenue

Contracts with customers	6,445,371	5,299,681	-	-

Figures in R `000

Revenue continued...

20.3 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

The table also includes a reconciliation of the disaggregated revenue.

	Administration fees R'000	Health risk management fees - Medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees - Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2020 disaggregated by type of goods or services - Group									
Primary geographical markets									
SA	1,392,593	1,202,094	20,332	28,023	503,713	1,884,589	1,011,817	209,757	6,252,918
Africa	166,193	16,057	1,594	8,609	-	-	-	-	192,453
	1,558,786	**1,218,151**	**21,926**	**36,632**	**503,713**	**1,884,589**	**1,011,817**	**209,757**	**6,445,371**
Major product/service line									
Admin health	1,558,786	-	-	-	503,713	-	1,011,817	209,757	3,284,073
Retail (Pharma)	-	-	-	-	-	1,884,589	-	-	1,884,589
Managed healthcare	-	1,218,151	21,926	36,632	-	-	-	-	1,276,709
	1,558,786	**1,218,151**	**21,926**	**36,632**	**503,713**	**1,884,589**	**1,011,817**	**209,757**	**6,445,371**
Timing of revenue recognition									
Products transferred at a point in time	-	-	-	-	-	1,884,589	-	-	1,884,589
Products and services transferred over time	1,558,786	1,218,151	21,926	36,632	503,713	-	1,011,817	209,757	4,560,782
	1,558,786	**1,218,151**	**21,926**	**36,632**	**503,713**	**1,884,589**	**1,011,817**	**209,757**	**6,445,371**

Figures in R `000

Revenue continued...

	Administration fees R'000	Health risk management fees - Medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees - Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2019 disaggregated by type of goods or services - Group									
Primary geographical markets									
SA	1,507,340	1,192,380	33,967	-	401,016	1,722,521	317,258	96,280	5,270,762
Africa	-	-	-	28,919	-	-	-	-	28,919
	1,507,340	**1,192,380**	**33,967**	**28,919**	**401,016**	**1,722,521**	**317,258**	**96,280**	**5,299,681**
Major product/service line									
Admin health	1,507,340	-	-	-	401,016	-	-	96,280	2,004,636
Retail (Pharma)	-	-	-	-	-	1,722,521	-	-	1,722,521
Managed healthcare	-	1,192,380	33,967	28,919	-	-	317,258	-	1,572,524
	1,507,340	**1,192,380**	**33,967**	**28,919**	**401,016**	**1,722,521**	**317,258**	**96,280**	**5,299,681**
Timing of revenue recognition									
Products transferred at a point in time	-	-	-	-	-	1,722,521	-	-	1,722,521
Products and services transferred over time	1,507,340	1,192,380	33,967	28,919	401,016	-	317,258	96,280	3,577,160
	1,507,340	**1,192,380**	**33,967**	**28,919**	**401,016**	**1,722,521**	**317,258**	**96,280**	**5,299,681**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Revenue continued...

20.4 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Trade receivables	448,874	391,912	-	-
Contract assets	-	282	-	-
Trade receivables impairment	(35,262)	(30,041)	-	-
	413,612	**362,153**	**-**	**-**

21. Cost of pharmaceutical products and finished goods

		Restated*		
Opening inventory	283,732	83,532	-	-
Purchases	1,431,326	1,509,530	-	-
Closing inventory	(297,851)	(283,732)	-	-
	1,417,207	**1,309,330**	**-**	**-**
Cost of distribution of pharmaceutical products	72,561	75,941	-	-
	1,489,768	**1,385,271**	**-**	**-**

** Refer to note 35.2 for details of the restatement*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

22. Profit before taxation

	Group 2020	Group 2019 Restated[3]	Company 2020	Company 2019
Profit before taxation is stated after charging/(crediting) the following items:				
Auditors' remuneration (included in "other expenses")	**13,914**	**9,434**	-	-
Audit fees	13,693	9,434	-	-
Prior period under provision	221	-	-	-
Depreciation of property, plant and equipment	**62,514**	**55,909**	-	-
Motor vehicles	3,626	2,388	-	-
Computer equipment	31,354	30,188	-	-
Buildings	4,601	3,386	-	-
Furniture and fittings	14,381	12,057	-	-
Property and equipment	8,552	7,890	-	-
Amortisation of development costs and other intangible assets	164,153	110,941	-	-
Right of use asset depreciation	71,781	82,666	-	-
Bad debt write-off	2,454	3,602	-	-
Expected credit loss allowance	3,686	326	-	-
Rentals (included in "rent and property costs")	87,061	97,624	-	-
Short-term building leases[2]	4,326	13,809	-	-
Other building-related expenses[2]	70,404	72,170		
Motor vehicles	318	273	-	-
Office equipment and furniture	12,013	11,372	-	-
Repairs and maintenance (included in "rent and property costs")	6,235	6,048	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Profit before taxation continued...

	Group 2020	Group 2019 Restated[3]	Company 2020	Company 2019
Directors' emoluments				
(included in "employee benefit costs")				
Executive				
JW Boonzaaier	6,396	3,771	-	-
- Basic salary	3,156	2,970	-	-
- Bonus	1,756	-	-	-
- Share based payment	1,302	567	-	-
- Company contributions[1]	182	234	-	-
AV van Buuren**	-	3,143	-	-
- Basic salary	-	2,964	-	-
- Bonus	-	-	-	-
- Company contributions[1]	-	179	-	-
A Banderker**	8,685	2,450	-	-
- Basic salary	4,903	1,149	-	-
- Bonus	3,242	1,200	-	-
- Share based payment	226	-	-	-
- Company contributions[1]	314	101	-	-
Non-executive				
For services as directors (basic salary)*	2,977	2,928	-	-
ATM Mokgokong	1,367	1,272	-	-
MJ Mandungandaba	1,368	1,163	-	-
A Banderker	-	263	-	-
IM Kirk	59	230	-	-
G Allen	183	-	-	-
Employee benefit costs	**2,240,461**	**2,145,458**	-	-
Salaries and wages	1,949,371	1,843,455	-	-
Termination benefits	5,892	15,012	-	-
Incentive, production and performance bonus	155,515	114,243	-	-
Staff welfare	50,834	121,347	-	-
Movement in post-employment medical obligation	(16)	(54)	-	-
Other employee benefit cost	78,865	51,455	-	-
Average number of persons employed by the group during the period:				
South Africa	**5,349**	**5,923**	-	-
Full time	4,834	5,168	-	-
Part time	515	755	-	-
Outside of South Africa	**342**	**358**	-	-
Full time	342	326	-	-
Part time	-	32	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Profit before taxation continued...

	Group 2020	Group 2019 Restated[3]	Company 2020	Company 2019
Dividends received	-	-	(154,783)	(501,511)
Loss on disposal of intangible assets	-	40,000	-	-
Loss on disposal of tangible assets	1,940	4,694	-	-
Fair value adjustments	**14**	**121,426**	**-**	**118,715**
Fair value gains on financial assets	14	121,426	-	118,715
Impairments	2,930	68,262	-	-
Impairment of goodwill	-	5,262	-	-
Impairment of software	2,920	6,253	-	-
Impairment of internally generated software	-	47,000	-	-
Impairment of investments	-	9,000	-	-
Impairment of loans	10	747	-	-
Other expenses				
Included in "other expenses" are the following:				
Donations	1,154	1,243	-	-
Consulting fees	294,397	180,897	-	-
Legal fees	18,277	16,935	-	-
Operating expenditure***	216,746	213,754	-	-
Marketing and recruitment	79,295	62,166	-	-
VAT expenses	3,111	102	-	-
Capitation costs****	988,028	302,655	-	-

** The directors' remuneration highlighted above reflects their total directors' fees received across various subsidiaries within the group.*

*** Mr A Banderker was appointed as CEO in April 2019 after Mr AV van Buuren resigned.*

**** This relates mainly to motor vehicle, telephone, travel, postage and subscription costs.*

***** This relates to pharmacy claims paid by Scriptpharm Risk Management Proprietary Limited*

[1] The company contributions relate to contributions made by the employer towards pension funds.

[2] These amounts were previously disclosed combined under "Buildings". It was deemed appropriate to provide more clarity with regards to the property costs and the expenses were therefore split out during the current financial year.

[3] Refer to Note 35.2 for details of the restatement.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

23. Net finance costs

Finance costs	**(77,826)**	**(56,593)**	**-**	**(2,293)**
Other	(8,618)	(11,073)	-	(2,293)
Lease liability	(27,888)	(31,822)	-	-
Borrowings	(41,320)	(13,698)	-	-
Finance income	**26,387**	**23,839**	**47**	**-**
Cash and cash equivalents	20,173	19,437	47	-
Other	6,214	4,402	-	-

The effective interest approximates the interest on the cash flows for the period.

24. Income tax expense

24.1 Income tax recognised in profit or loss:

Current taxation				
Current year	171,176	116,020	-	44
Prior year	(2,514)	2,703	-	-
Securities transfer tax	24	1,824	-	1,470
Deferred taxation				
Current year	(6,066)	22,324	-	556
Prior year	(8,434)	132	-	126
	154,186	**143,003**	**-**	**2,196**

Notes to the Consolidated and Separate Financial Statements

Income tax expense continued...

24.2 Reconciliation of the tax rate

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019
South African normal tax rate	28.00%	28.00%	28.00%	28.00%
Adjusted for:				
Disallowable expenses	3.12%	6.51%	0.08%	0.10%
Donations not subject to Section 18A	0.04%	0.01%	-	-
Fair value loss on investment	0.12%	-	-	-
Dual nature expenses	0.57%	0.46%	0.08%	-
Non-allowable legal fees	0.32%	0.02%	-	-
Non-allowable consulting fees	0.14%	0.01%	-	-
Foreign exchange gain / loss	0.07%	-	-	-
Impairment of loans	1.23%	0.16%	-	-
Impairment of investments	0.61%	0.47%	-	-
Non trading expenses	0.02%	2.46%	-	-
Impairment of intangible assets	-	2.67%		
Penalties and interest	-	0.25%		0.10%
Non-taxable income	(0.49%)	(7.57%)	-	(5.83%)
Share of profits from associates	(0.36%)	(0.97%)	-	(0.58%)
Fair value gain on investments	(0.01%)	(6.60%)	-	(5.25%)
Employment Tax Incentive	(0.12%)	-	-	-
Exempt income	(1.08%)	(0.66%)	(28.08%)	(22.18%)
Foreign income exempt in terms of Double Taxation Agreement	(1.08%)	(0.66%)	-	-
Dividends received	-	-	(28.08%)	(22.18%)
Other taxable income	-	0.34%	-	0.23%
Securities transfer tax	-	0.34%	-	0.23%
Other deductible expenses	(0.69%)	(0.53%)	-	-
Learnership allowance	(0.69%)	(0.53%)	-	-
Rate differences	(0.85%)	-	-	-
Prior year adjustment	(0.56%)	-	-	-
- current tax	(0.68%)	(0.14%)	-	0.02%
- deferred tax	(1.13%)	-	-	-
Withholding tax	(0.62%)	0.30%	-	-
Unrecognised assessed loss	(0.30%)	0.68%	-	-
Effective tax rate	**24.72%**	**26.93%**	**0.00%**	**0.34%**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

25. Cash flows from operating activities

		*Restated**		
Profit/(loss) before tax	**623,722**	**533,005**	**154,368**	**633,122**
Adjustments for:				
Dividends received	-	-	(154,783)	(501,511)
Fair value loss on investment in AfroCentric Invement Corporation Limited	2,520	1,600	-	-
Right of use assets depreciation	71,781	82,666	-	-
Interest on lease	27,888	31,822	-	-
Finance income	(26,387)	(23,839)	(47)	-
Finance costs	49,938	24,771	-	2,293
Bad debts written off	2,454	3,602	-	-
Increase/(decrease) in provision for expected credit losses	3,686	326	-	-
Net actuarial (gains)/losses	-	-	-	-
Depreciation	62,514	55,909	-	-
Fair value gains and losses	(14)	(121,426)	-	(120,702)
Fair value of contingent consideration	-	407	-	-
Amortisation of intangible assets	164,153	110,941	-	-
Impairment of intangibles	2,920	58,515	-	-
Impairment provisions on investments	-	9,000	-	-
Impairment provision on investments and loans	10	-	-	-
(Profit)/loss on disposal of tangible assets	1,938	4,694	-	-
Loss on disposal of intangible assets	-	40,000	-	-
Share-based payment expense	8,896	7,785	-	-
Share of profit from associates	(7,990)	(18,479)	-	(13,205)
Other adjustments for non-cash items	(10,701)	185	-	-
Cash flow before working capital changes	**977,328**	**801,484**	**(462)**	**(3)**
Working capital changes				
Inventory	(14,119)	(86,359)	-	-
Trade and other receivables	24,323	(180,367)	20	(4)
Trade and other payables	(39,611)	29,768	1	(346)
Provisions	13,281	26,750	216	(23)
Cash generated from operations	**961,202**	**591,276**	**(225)**	**(376)**

** Refer to note 35 for details of the restatement*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

26. Income tax paid

Balance at the beginning of the year	1,887	6,021	(23)	10
Balance at the end of the year (asset)/liability	7,630	(1,887)	19	23
(Charge)/credit to the statement of comprehensive income	(154,158)	(98,451)	-	(1,640)
(Charge) to other comprehensive income	(4)	(52)		
Less deferred tax included in taxation expense	(14,500)	(21,993)	-	126
Securities transfer tax	(24)	(1,824)	-	(1,470)
Take on balance*	-	(16,869)	-	-
	(159,169)	(135,055)	(4)	(2,951)

** The take on balance relates to the current tax balances at acquisition of iThrive Business Solutions Group, The Cheese Has Moved, Activo Health and Sanlam Healthcare Management during the prior financial year.*

27. Dividends

ACT Healthcare Assets passed one resolution whereby dividends were declared in the 2020 financial year. These dividends were debited to retained earnings in 2020.

Dividend declared	78,558	-	78,558	-
Dividends declared and paid to Non-controlling interests	**21,354**	**10,341**	-	-
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited to non-controlling interests	9,230	7,891	-	-
Dividend declared and paid by Allegra Proprietary Limited to non-controlling interests	10,780	2,450	-	-
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited to non-controlling interests	1,344	-	-	-
	99,912	10,341	78,558	-

28. Share-based payments

In the 2018 financial year a new share award plan was implemented. The purpose of the plan is to retain, motivate and reward eligible employees who are able to influence the performance and growth strategies of the Company, on a basis which aligns their interests with those of the Group's shareholders.

Share awards will be issued to identified participants by the Remuneration Committee and Board. The number of share awards to be allocated to an eligible employee will primarily be based on the identified employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks. The number of share awards will be recommended by the Remuneration Committee at the time that share awards are granted per an award letter.

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited (ACT) and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 543 773 share awards (1% of ACT's issued shares as at the date of approval of the AfroCentric Group Management Long Term Incentive Plan by the Board and shareholders of the Company) and the maximum dilution limit is 27 718 866 (5% of ACT's issued shares as at the date of approval of the AfroCentric Group Management Long Term Incentive Plan by the Board and shareholders of the Company).

The company in which the participants are employed is required to pay the cost of the shares.

AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three- year retention period in three equal tranches. The charge for the year is R8.9 million.
The share price of AfroCentric Investment Corporation Limited on 30 November 2019 of R3.30 (2018:R5.20) and (2017: R6.30) which is grant date, was used to determine the IFRS 2 charge for 2020.

Share-based payments continued...

30 June 2020

	Group					
Offer date	**Issue share price R**	**Balance at 30 June 2019 '000**	**Offered '000**	**Forfeited '000**	**Balance as at 30 June 2020 '000**	**Fair Value as at 30 June 2020 R'000**
-8 December 2017	6.2	4,440	-	(1,760)	2,680	9,915
-1 November 2018	5.5	4,430	-	(900)	3,530	7,921
-30 November 2019	3.3	-	5,190	-	5,190	2,355
		8,870	**5,190**	**(2,660)**	**11,400**	**20,191**

Fair value for AfroCentric Investment Corporation Limited based on closing share price as at 30 June 2020 of R3.69.

30 June 2019

	Group					
Offer date	**Issue share price R**	**Balance at 30 June 2018 '000**	**Offered '000**	**Forfeited '000**	**Balance as at 30 June 2019 '000**	**Fair Value as at 30 June 2019 R'000**
-8 December 2017	6.2	4,440	-	-	4,440	3,501
-1 November 2018	5.5	-	4,430	-	4,430	7,785
		4,440	**4,430**	-	**8,870**	**11,286**

Fair value for AfroCentric Investment Corporation Limited based on closing share price as at 30 June 2019 of R4.95.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Share-based payments continued...

	Group	
	Number of shares 2020	Number of shares 2019
Movements in number of instruments:		
Outstanding at the beginning of the period	1,130	565
Vested		
Active employees	302	565
Outstanding at the end of the period	**1,432**	**1,130**

This represents the shares vested but not yet exercised. Exercise price will be the share price as at grant date.

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

29. Contingencies, commitments and guarantees

Contingencies

Exposure to errors and omissions in ordinary course of business

As for any business with similar operations, the Group is exposed to various potential claims relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. At the date of these Annual Financial Statements, the Group is unaware of any material claims, actual or contemplated, by any of the Group's stakeholders or customers, except for those listed below.

Neil Harvey & Associates Proprietary Limited

Neil Harvey & Associates (NHA) has instituted a claim against Medscheme Holdings Proprietary Limited and three of its employees in 2007. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before.

Following years of the prolonged pending arbitration, the oral hearing for the first part of the claim on the Electronic Member Interface (EMI) and Broker Application Software issue commenced on 18 May 2020 and ran for a period of twenty nine days. The first part of the hearing addressed the matters centred on the authorship of a computer programme, the parameters of which are relatively unsettled in the South African Law, with little case authority to assist.

As at year-end, the arbitrator has determined that NHA, on a notional royalty is entitled to only R2.7m. The arbitrator largely restricted the interest claim by ordering that it would only accrue from the date of this award (13 October 2020), and not from 2007 as NHA had claimed.

Legal claim against Allegra Proprietary Limited

Allegra entered into a supply agreement with Medirite in 2015 to install its pharmacy software at each Medirite branch in South Africa. The project was nearing completion by the end of 2017 upon which Medirite terminated the services during July 2017. As part of terminating the service, Medirite is claiming all previous fees paid to Allegra based on non-performance to the agreement.

Allegra, Shoprite and Medirite pursued an arbitration: final terms of the Arbitration Agreement were agreed in March 2020. Due to delays with the signing of the Arbitration agreement, the parties pursued the abandonment and settlement of this claim by all parties relinquishing their rights to the current claims and future claims.

A Settlement Agreement has subsequently been entered into effective 24 July 2020, where each party has agreed to withdraw and abandon their respective claims for damages against each other, and to have no further claims against each other, in the future, arising from the termination of the Master Service Agreement between Shoprite and Allegra for the Medirite development models. The arbitration has thus been abandoned as the matter has been settled.

Guarantees

Guarantees issued in respect of office rental for premises occupied by the Group	5,503	5,503	-	-
Medical aid schemes	1,000	1,000	-	-
South African Post Office	3,800	3,800	-	-
City Power Johannesburg	500	500	-	-
MMed guarantees to suppliers	850	850	-	-
	11,653	**11,653**	**-**	**-**

30. Related party transactions

Directors

Details relating to directors' emoluments are disclosed in Note 22. There are no loans to directors.

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr AV van Buuren (Previous AfroCentric Investment Corporation Limited Group Chief Executive Officer - resigned during the prior year) and WH Britz (Executive director for AfroCentric Investment Corporation Limited) each hold 50% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited.

Related party transactions continued...

Transactions with entities in the Group

During the period the Group entered into the following related party transactions:

	Group	
	June 2020 R'000	**June 2019 R'000**
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings Proprietary Limited	177	507
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	156	334
Mr SM Rothbart has a controlling interest in Rothbart Inc. – consulting fees paid by Medscheme Holdings Proprietary Limited	-	1,207
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited – management fees and other expenses paid to Mesure Facilities Management Proprietary Limited. The fees represent outsourced facilities management for the AfroCentric Group that represent the following categories:	67,996	74,338
- Salaries	12,501	13,458
- Cleaning and security	19,842	24,273
-Refurbishments, projects and capex	6,635	8,747
- Utilities	27,052	25,730
- Other	1,966	2,130
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa Proprietary Limited – courier fees paid to Skynet South Africa	4	417
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees paid to Jasco Electronics Holdings Limited	21,810	20,975
Mr MJ Madungandaba, Dr ATM Mokgokong and Dr ND Munisi are directors of Community Medical Proprietary Limited - purchases from Community Medical Proprietary Limited	1,619	-
Activo Health Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	563	-
AfroCentric Distribution Services Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	4,039	-
Pharmacy Direct Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	1,884	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Related party transactions continued...

	Group	
	June 2020 R'000	June 2019 R'000
Subsidiaries		
Interest charged		
The Cheese Has Moved Proprietary Limited - interest charged on loan from AfroCentric Health (RF) Proprietary Limited	1,086	735
MMed Distribution Proprietary Limited - interest charged on loan from AfroCentric Health (RF) Proprietary Limited	10,943	-
Private Health Administrators Proprietary Limited – interest charged on loan from AfroCentric Health (RF) Proprietary Limited	146	-
Fastpulse Employee Solutions Proprietary Limited – interest charged on loan from AfroCentric Health (RF) Proprietary Limited	418	-
AfroCentric Investment Corporation Limited – interest charged on loan from AfroCentric Health (RF) Proprietary Limited	7	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from AfroCentric Investment Corporation Limited	6,049	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from Activo Health Proprietary Limited	374	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from AfroCentric Technologies (RF) Proprietary Limited	31,296	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from Curasana Wholesaler Proprietary Limited	3,419	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from Scriptpharm Risk Management Proprietary Limited	5,288	-
AfroCentric Health (RF) Proprietary Limited - interest charged on loan from Wellness Odyssey Proprietary Limited	814	-

Related party transactions continued...

	Group	
	June 2020 R'000	June 2019 R'000
Management fees		
Aid for AIDS Management Proprietary Limited – management fees paid to AfroCentric Health (RF) Proprietary Limited	8,714	8,259
Medscheme International – management fees paid to AfroCentric Health (RF) Proprietary Limited	33	30
Medscheme Mauritius – management fees paid to AfroCentric Health (RF) Proprietary Limited	298	282
Medscheme Zimbabwe – management fees paid to AfroCentric Health (RF) Proprietary Limited	265	251
AfroCentric Technologies (RF) Proprietary Limited – management fees paid to AfroCentric Health (RF) Proprietary Limited	18,293	17,340
Medscheme Administrators Eswatini Proprietary Limited – management fees paid to AfroCentric Health (RF) Proprietary Limited	870	1,658
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	-	21,726
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Health (RF) Proprietary Limited	150,872	142,836
Curasana Wholesaler Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	-	2,020
Medscheme Namibia Proprietary Limited – management fees paid to Medscheme Holdings Proprietary Limited	-	1,071
AfroCentric Distribution Services Proprietary Limited – management fees paid to AfroCentric Health (RF) Proprietary Limited	1,980	1,873
Activo Health Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	1,725	-
AfroCentric Financial Services Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	60	-
Curasana Wholesaler Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	2,160	-
Medscheme Namibia Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	1,130	-
MMed Distribution Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	600	-
Scriptpharm Risk Management Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	3,624	-
TendaHealth Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	150	-
The Cheese Has Moved Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	300	-
Wellness Odyssey Proprietary Limited - management fees paid to AfroCentric Health (RF) Proprietary Limited	300	-
Wellness Odyssey Proprietary Limited - management fees paid to The Cheese Has Moved Proprietary Limited	15	-

Related party transactions continued...

	Group	
	June 2020 R'000	June 2019 R'000
Profile fees		
AfroCentric Management Services Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	-	59
Aid for AIDS Management Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	2,248	2,193
AfroCentric Health (RF) Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	7,184	6,771
Medscheme Administrators Eswatini Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	126	132
Medscheme Holdings Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	104,028	103,992
Medscheme Namibia Proprietary Limited – profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	1,401	1,332
AfroCentric Intergrated Corporate Solutions Group - profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	465	-
Private Health Administrators Proprietary Limited - profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	236	-
Scriptpharm Risk Management Proprietary Limited - profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	36	-
AfroCentric Distribution Services Proprietary Limited - profile fees paid to AfroCentric Technologies (RF) Proprietary Limited	693	-
IT support fees		
AfroCentric Management Services Proprietary Limited – IT support services paid to AfroCentric Technologies (RF) Proprietary Limited	-	4
AfroCentric Health (RF) Proprietary Limited – IT support services paid to AfroCentric Technologies (RF) Proprietary Limited	-	493
AfroCentric Distribution Services Proprietary Limited – on site support fees paid to AfroCentric Technologies (RF) Proprietary Limited	-	468
Medscheme Administrators Eswatini Proprietary Limited – IT support services paid to AfroCentric Technologies (RF) Proprietary Limited	572	653
MMed Distribution Proprietary Limited – IT Support service fees paid to AfroCentric Technologies (RF) Proprietary Limited	-	5

Related party transactions continued...

	Group	
	June 2020 R'000	**June 2019 R'000**
Telephone and printing costs		
AfroCentric Management Services Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies (RF) Proprietary Limited	2	13
Aid for AIDS Management (RF) Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies (RF) Proprietary Limited	260	330
Allegra Proprietary Limited – TMS and Telkom fees paid to AfroCentric Technologies (RF) Proprietary Limited	7	11
AfroCentric Health (RF) Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies (RF) Proprietary Limited	509	157
Medscheme Holdings Proprietary Limited – TMS and Telkom fees paid to AfroCentric Technologies (RF) Proprietary Limited	9,166	14,441
Wellness Odyssey Proprietary Limited - printer fees paid to AfroCentric Technologies (RF) Proprietary Limited	1	-
Mobile costs		
AfroCentric Health (RF) Proprietary Limited – mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	341	-
AfroCentric Management Services Proprietary Limited – mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	4	-
Aid for AIDS Management (RF) Proprietary Limited – mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	48	-
Medscheme Holdings Proprietary Limited – mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	3,949	-
AfroCentric Distribution Services Proprietary Limited – mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	105	-
Private Health Administrators Proprietary Limited - mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	12	-
Wellness Odyssey Proprietary Limited - mobile costs paid to AfroCentric Technologies (RF) Proprietary Limited	1	-

Related party transactions continued...

	Group	
	June 2020 R'000	June 2019 R'000
Other IT-related fees		
Allegra Proprietary Limited – switching fees paid to AfroCentric Technologies (RF) Proprietary Limited	-	6,221
Allegra Proprietary Limited – licence and support fee paid to AfroCentric Technologies (RF) Proprietary Limited	1,701	1,701
AfroCentric Distribution Services Proprietary Limited – out of scope fees paid to AfroCentric Technologies (RF) Proprietary Limited	68	78
Medscheme Holdings Proprietary Limited – out of scope and recovery costs paid to AfroCentric Technologies (RF) Proprietary Limited	-	964
Klinikka Proprietary Limited – corporate service fees paid to AfroCentric Technologies (RF) Proprietary Limited	89	89
Medscheme Holdings Proprietary Limited – switching fees paid to Allegra Proprietary Limited	-	44,352
Medscheme Holdings Proprietary Limited – IT admin fees paid to AfroCentric Technologies (RF) Proprietary Limited	-	158,904
Medscheme Namibia Proprietary Limited – licence and support fees paid to AfroCentric Technologies (RF) Proprietary Limited	5,484	5,884
Medscheme Holdings Proprietary Limited - special IT system fee paid to AfroCentric Technologies (RF) Proprietary Limited	126,000	-
AfroCentric Distribution Services Proprietary Limited – hosting fees paid to AfroCentric Technologies (RF) Proprietary Limited	373	-
Medscheme Holdings Proprietary Limited - work from home fee paid to AfroCentric Technologies (RF) Proprietary Limited	2,193	-
AfroCentric Health (RF) Proprietary Limited – work from home fee paid to AfroCentric Technologies (RF) Proprietary Limited	57	-
Aid for AIDS Management (RF) Proprietary Limited – work from home fee paid to AfroCentric Technologies (RF) Proprietary Limited	53	-

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Figures in R `000

Related party transactions continued...

	Group	
	June 2020 R'000	**June 2019 R'000**
Dividends paid		
Medscheme Namibia Proprietary Limited – dividends paid to Medscheme Holdings Proprietary Limited	26,270	22,459
Medscheme Holdings Proprietary Limited - dividends paid to AfroCentric Health (RF) Proprietary Limited	247,559	-
Medscheme International Limited - dividends paid to Medscheme Holdings Proprietary Limited	28,679	-
Allegra Proprietary Limited - dividends paid to AfroCentric Technologies (RF) Proprietary Limited	22,000	-
AfroCentric Health (RF) Proprietary Limited - dividends paid to ACT Healthcare Assets Proprietary Limited	259,559	-
Wellness Odyssey Proprietary Limited - dividends paid to AfroCentric Health (RF) Proprietary Limited	12,000	-
ACT Healthcare Assets Proprietary Limited - dividends paid to AfroCentric Investment Corporation Limited	56,012	-
Activo Health Proprietary Limited - dividends paid to ACT Healthcare Assets Proprietary Limited	7,150	-
Scriptpharm Risk Management Proprietary Limited - dividends paid to ACT Healthcare Assets Proprietary Limited	5,376	-
Consulting fees		
Medscheme Holdings Proprietary Limited – consulting fees paid to Glen Eden Trading 58 Proprietary Limited	-	33,384
Commission paid		
AfroCentric Technologies (RF) Proprietary Limited – commission payable to Medscheme Holdings Proprietary Limited for services rendered (CIMAS and First Mutual Life)	-	2,857
AfroCentric Technologies (RF) Proprietary Limited – commission payable to Medscheme Holdings Proprietary Limited for services rendered (Premier Service Medical Aid)	-	1,386

Related party transactions continued...

	Group	
	June 2020 R'000	**June 2019 R'000**
Sales		
Pharmacy Direct Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	970,393	816,690
Curasana Wholesalers Proprietary Limited – logistic sales from Activo Health Proprietary Limited	25,236	30,185
MMed Distribution Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	58,697	-
Pharmacy Direct Proprietary Limited – inventory purchases from MMed Distribution Proprietary Limited	506	-
Wellness Odyssey Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	611	-
Curasana Wholesalers Proprietary Limited – inventory purchases from Activo Health Proprietary Limited	277,064	-
Activo Health Proprietary Limited – inventory purchases from Curasana Wholesalers Limited	9,052	-
Curasana Wholesalers Proprietary Limited – inventory purchases from Pharmacy Direct Proprietary Limited	53,517	-
Wellness Odyssey Proprietary Limited – inventory purchases from Pharmacy Direct Proprietary Limited	67	-
Rent and property costs		
Pharmacy Direct Proprietary Limited – rental costs, electricity and security costs paid to Curasana Wholesalers Proprietary Limited	5,076	4,393
Fastpulse Employee Solutions Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	68	-
AfroCentric Technologies (RF) Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	480	-
Medscheme Holdings Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	1,200	-
Wellness Odyssey Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	221	-
Scriptpharm Risk Management Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	635	-

Related party transactions continued...

	Group	
	June 2020 R'000	June 2019 R'000
Other		
Activo Health Proprietary Limited - service fees paid to Pharmacy Direct Proprietary Limited	26,616	-
Activo Health Proprietary Limited - service fees paid to Curasana Wholesalers Proprietary Limited	24,776	-
Activo Health Proprietary Limited - other costs paid to Pharmacy Direct Proprietary Limited	206	-
Pharmacy Direct Proprietary Limited - other costs paid to Wellness Odyssey Proprietary Limited	11	-
Curasana Wholesalers Proprietary Limited - other costs paid to Pharmacy Direct Proprietary Limited	12	-
MMed Distribution Proprietary Limited - advertising and marketing fees paid to The Cheese Has Moved Proprietary Limited	18	-
Wellness Odyssey Proprietary Limited - advertising and marketing fees paid to The Cheese Has Moved Proprietary Limited	457	-
Activo Health Proprietary Limited - distribution costs paid to Curasana Wholesalers Proprietary Limited	5,369	-
Activo Health Proprietary Limited - socio-economic development costs paid to Curasana Wholesalers Proprietary Limited	128	-
Pharmacy Direct Proprietary Limited - administration fees paid to Wellness Odyssey Proprietary Limited	339	-
Pharmacy Direct Proprietary Limited - staff training costs paid to Wellness Odyssey Proprietary Limited	2	-
Balances		
AfroCentric Investment Corporation Limited - Loan balance with ACT Healthcare Assets (Pty) Ltd	9,767	(126,792)
Investment in holding company 1 999 999 shares @ R369 cents (2019: R495 cents)	7,380	9,900

	Company	
	June 2020 R'000	June 2019 R'000
Balances		
AfroCentric Health (RF) Proprietary Limited loan account	(2,418)	(78,606)
Dividends received		
Dividends received from AfroCentric Health (RF) Proprietary Limited	154,783	501,511
Key management personnel compensation		
Share-based payments	5,014	13,456

Key management personnel comprise Executive Directors within the AfroCentric Health Proprietary Limited Group.

Figures in R `000	Group 2020	Group 2019	Company 2020	Company 2019

Related party transactions continued...

Inter-Group guarantees

The following group companies have provided cross guarantees to the AfroCentric Health (RF) Proprietary Limited bankers, for facilities offered to that company:

- Medscheme Holdings Proprietary Limited
- Aids for AIDS Management (RF) Proprietary Limited
- AfroCentric Technologies (RF) Proprietary Limited
- Klinikka Proprietary Limited

31. Deferred payment

Deferred payment	-	7,335	-	-

On 1 October 2018 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 82.8% of the iThrive Business Solutions Group of companies. The group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this.
The purchase consideration for iThrive Business Solutions Group was R38 million in cash consideration.

The remaining shares in iThrive Business Solutions were acquired on 1 October 2019 for R9.6 million. The deferred payment was thus settled.

32. Subsequent events

32.1 Acquisition of Dental Information Systems Holdings Proprietary Limited

AfroCentric Group will be acquiring 100% of the dental benefit management company, Dental Information Systems Holdings Proprietary Limited (DENIS Group), effective 1 October 2020.

The acquisition of DENIS enables the group to focus specifically on cost reduction and innovation in the dental treatment offerings to medical scheme members.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired company will be consolidated from 1 October 2020.

Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
- Cash paid	170,000
- Contingent consideration	-
Total purchase consideration	170,000

The provisionally determined fair value of the assets and liabilities of the DENIS Group as the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	139,655
Property, plant and equipment	71,635
Intangible assets	17
Intangible assets-customer contracts	108,616
Incurred but not reported (IBNR) & claims provision	(45,459)
Receivables	5,391
Payables	(24,820)
Equity investments	15,540
Other financial assets	174
Other financial liabilities	(1,336)
Net deferred tax assets	(25,843)
Taxation	3,855
Dividend payable	(80,000)
Net identifiable assets acquired	**167,425**
Add: Goodwill	2,575
Net assets acquired	**170,000**

The goodwill is attributable to Denis Group's strong position and profitability in dental risk management services.
None of the goodwill is expected to be deductible for tax purposes.

In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.
It is also not yet possible to provide detailed information about each class of acquired receivable and any contingent liabilities of the acquired entity.

Subsequent events continued...

32.2 Acquisition of additional shares in Scriptpharm Risk Management Proprietary Limited

AfroCentric acquired an 80% interest in Scriptpharm Risk Management Proprietary Limited in 2017. Effective 1 August 2020, Afrocentric Group has acquired the additional 20% from the minority shareholder for the value of R 20 million.

The terms of the call option are substantially dictated by the valuation formulae and payment options provided for in the master sale agreement.

33. Impact of COVID-19 and Going concern

The wide-spread international outbreak of the COVID-19 (Coronavirus) originating in China, which has significantly affected lives, and entities and economic activity around the world. In 2020, many countries around the world have, amongst other radical actions, implemented national "lockdowns" as part of attempts to contain the spread of the virus

Responding to the COVID-19 outbreak world-wide, the South African President declared a national state of disaster on 15 March 2020 with a partial travel ban, closing of schools and prohibiting large gatherings of people. Following this action, on 23 March 2020, the South African President declared a national lockdown, with only certain core essential services (and their related employees) allowed to continue working as normal, in the interest of maintaining the availability of such essential services (one of which included healthcare services) to the citizens of South Africa. The lockdown was then further extended by the President on 09 April 2020. South Africa moved through various lockdown alert levels until it moved to, and remained on alert level 1 from 21 September 2020 until the announcement on 28 December 2020 to move the country to an adjusted alert level 3 until 15 January 2021. On 11 January 2021 it was announced that the adjusted alert level 3 will be extended with the relaxation of certain restrictions. The announcement to move the country to an adjusted alert level 3 in December 2020 did not have any further impact on the Group not covered in the below assessment.

The COVID-19 pandemic and related nation-wide lockdown has not interfered with the Group and its subsidiary entities' ability to continue in operation and the usual levels of operations of the business have continued as normal even during all the levels of the lockdown periods.

The impact of the COVID-19 pandemic and the related lockdown is immaterial, as the Group has since been able to continue in operation during the pandemic in an unaffected manner. The following are potential future financial effects on the Group:

- Revenue – The Group's core business of administration of medical aid and provision of medication is considered to be a healthcare-related essential service and has remained unaffected by the COVID-19 lockdown. The Group revenue has therefore remained unaffected.
- Inventory – The Group and its subsidiary entities have experienced no disruption in the supply chain during the year and this is expected to continue in financial 2021 period.
- Financial instrument risk disclosures– Due to the rapidly changing economic environment, the Group and its subsidiary entities have been subject to an increasing market risk and fair value risk. To this effect, the Group's sensitivity analysis has been performed using a larger range for the risk affected variables (Notes 3 and 7). This range is based on management's expectation of COVID-19.
- Debt repayment and classification – The outstanding balance of the Group's borrowings as at 30 June 2020 is R386 million. The Group is not in breach of the covenants. The entity is anticipating to make R 120 million payments in the next 12 months as and when they become due, no deferral of capital repayments is expected.

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

With the occurrence of the COVID-19 (Coronavirus) pandemic, AfroCentric Group and its subsidiary companies will still continue to operate as going concerns as there are sufficient financial resources to continue operating into the near future.

Impact of COVID-19 and Going concern continued...

The COVID-19 pandemic and related, nation-wide lockdown has not interfered with the Group's ability to continue its operations the entities have continued as normal even during the lockdown period, seeing as the following were deemed to be a healthcare-related essential service:

• administration of medical aids;
• provision of chronic medication;
• supply and distribution of medication;
• primary and occupational healthcare services;
• information technology solutions; and
• health insurance.

The current contracts in place with the various medical aid schemes, private and public practitioners are not under threat as services were performed throughout all the respective levels of lockdown.

Furthermore, there has not been any regulatory changes announced by the President of South Africa that will threaten the Company and Group's ability to continue as a going concern.

34. Pensions and other retirement obligations

The Group has made provision for pension and provident schemes covering substantially all employees. All eligible employees are members of defined contribution schemes administered by third parties. The assets of the schemes are held in administered trust funds separated from the Group's assets. Scheme assets primarily consist of listed shares, bonds and cash. The South African funds are governed by the Pensions Fund Act of 1956.

Medscheme provident fund and Medscheme employees provident fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded.

Contributions of 7.6% of retirement funding remuneration are paid by the employer and contributions paid by the employee range between 0% and 12% of retirement funding remuneration. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

35. Restatement of June 2019 results

The following prior period errors were corrected in the current year. The effect of the error is disclosed below.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Restatement of June 2019 results continued...

35.1 Statement of financial position

In the 2019 financial period, the Group had presented the taxation receivable net of its taxation payable obligations. The restatement has been performed to reflect the gross taxation view as this is deemed to be more appropriate.

The table below illustrates the impact of the statement of financial position restatement:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Consolidated statement of financial position			
Current assets			
Current tax assets	1,887	32,280	34,167
Current liabilities			
Current tax liabilities	-	32,280	32,280

Restatement of June 2019 results continued...

35.2 Statement of comprehensive income

In the 2019 financial period, the Group had presented the courier costs associated with the delivery of medication by Pharmacy Direct to its clients as other expenses.

Due to the nature of these expenses, presenting these costs as cost of distribution of pharmaceutical products is deemed to be more appropriate. This reclassification did not have an impact on the Group's profit nor any income statement ratios.

This has been corrected as follows:

	2019 As previously reported R'000	Adjustment (increase)/ decrease R'000	2019 Restated R'000
Statement of comprehensive income			
Cost of distribution of pharmaceutical products	-	(75,941)	(75,941)
Other expenses	(853,597)	75,941	(777,656)

35.3 Restatement of Inventory

In the prior year the unearned fees relating to the single exit price (SEP) pricing of the inventory at hand as at year end, were separately disclosed as merchandise provision in the inventory note, consisting of rebate agreements with vendors relating to the purchase of the Group's inventory . However these are not provisions in nature, as these rebates represent a reduction in the cost of Finished goods inventory. For improved disclosure, the prior year inventory note has been restated to reduce the cost of finished goods inventory by the unearned fees provision.

This has been corrected by restating as follow:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Finished goods	234,233	(48,849)	185,384
Merchandise	98,348		98,348
Merchandise provision for obsolescence	(48,849)	48,849	-
	283,732	**-**	**283,732**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Restatement of June 2019 results continued...

35.4 Statement of changes in equity, statement of financial position and statement of comprehensive income

In the 2019 financial statements, the loss on impairment of inter-company loans should have been accounted for against profit before tax, but was incorrectly accounted for against trade and other payables. The 2019 financial statements have been restated to reflect the correct amounts for trade and other payables and the loss on impairment of loans expense.

Herewith is the effect of the restatement on the financial statements:

Financial Statements	Financial Statement Line	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Statement of financial position	Retained earnings	1,563,268	2,057	1,565,325
	Trade and other payables	396,933	(2,057)	394,876
Cash generated from operations note	Profit before tax	530,948	2,057	533,005
	Working capital changes to trade and other payables	31,825	(2,057)	29,768
Statement of comprehensive income	Impairment of loans	(2,804)	2,057	(747)

Restatement of June 2019 results continued...

35.5 Reclassification in the statement of cash flows and cash generated from operations note

In 2019 financial period, the Group had erroneously included the capital and interest repayment on the lease liability under "IFRS 16 ROU Lease" in the cash generated from operations note instead of being reflected separately in the operating and financing activities. This has been corrected to reflect the interest and capital repayments on the face of the statement of cash flows. The error did not affect profit before tax. This correction has resulted in an increase on the cash generated from operations and a decrease in the cash inflow from financing activities.

This has been corrected by restating as follows:

Cash generated from operations note

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Profit/(loss) before tax*	530,948	2,057	533,005
Adjustments for:			
Dividends received	-	-	-
Finance income	(23,839)		(23,839)
Loan recoupment/write off	-		-
Finance costs	24,771		24,771
Interest on lease liabilities	31,822		31,822
Bad debts written off	3,602		3,602
Increase/(decrease) in provision for doubtful debts	326		326
Net actuarial (gains)/losses	185		185
Depreciation	55,909		55,909
Right of use asset depreciation	82,666		82,666
IFRS 16 ROU lease	(94,474)	94,474	-
Fair value gains	(119,826)		(119,826)
Fair value of contigent consideration	407		407
Amortisation of intangible assets	110,941		110,941
Impairment provision on investments and loans	9,000		9,000
Impairment of intangible assets	58,515		58,515
Loss on disposal of property, plant and equipment	4,694		4,694
Loss on disposal of intangible assets	40,000		40,000
Loss on disposal on investment	-		-
Share-based payment expense	7,785		7,785
Impairment on tangible assets	-		-
Share of profit of associates	(18,479)		(18,479)
Cash flow before working capital changes	**704,953**	**96,531**	**801,484**

Restatement of June 2019 results continued...

Working capital changes	**(208,151)**	**(2,057)**	**(210,208)**
Trade and other receivables	(180,367)	-	(180,367)
Provisions	26,750	-	26,750
Inventory	(86,359)	-	(86,359)
Trade and other payables	31,825	(2,057)	29,768
Cash generated from operations	**496,802**	**94,474**	**591,276**

Statements of CashFlows

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Cash generated from/(utilised in) operations	**496,802**	**94,474**	**591,276**
Dividend paid	(10,341)	-	(10,341)
Dividends received	4,168	-	4,168
Interest paid	(24,771)	(31,822)	(56,593)
Interest received	23,839	-	23,839
Income taxes paid	(135,055)	-	(135,055)
Net cash inflow/(outflow) from operating activities	**354,642**	**62,652**	**417,294**
			-
Cash flows from investing activities			-
Payment for acquisition of subsidiaries, net of cash acquired	(572,706)	-	(572,706)
Purchase of tangible assets	(98,857)	-	(98,857)
Proceeds from sales of intangible assets	962	-	962
Purchase of intangible assets	(241,697)	-	(241,697)
Settlement of loans by associates	2,600	-	2,600
Disinvestment of financial assets	3,174	-	3,174
Net cash inflow/(outflow) from investing activities	**(906,524)**	**-**	**(906,524)**
			-
Cash flows from financing activities			-
Lease liability capital repayment	-	(62,652)	(62,652)
Increase/(decrease) in borrowings	491,566	-	491,566
Proceeds of borrowings	550,000	-	550,000
Capital settlement of borrowings	(58,434)	-	(58,434)
Loan from AfroCentric Investment Corporation Limited	117,273	-	117,273
Net cash inflow/(outflow) from financing activities	**608,839**	**(62,652)**	**546,187**
Net (decrease) / increase in cash and cash equivalents before effect of exchange rate changes	**56,957**	**-**	**56,957**
Effect of exchange rate changes on cash and cash equivalents	(3,908)	-	(3,908)
Cash and cash equivalents at beginning of the year	201,930	-	201,930
Cash and cash equivalents at end of the year	**254,979**	**-**	**254,979**

** Refer to Note 35.5 for the details of the restatement of profit before tax.*

Restatement of June 2019 results continued...

35.6 Statement of comprehensive income

In the 2019 financial period, the Group had presented the fair value gains and losses as a net amount under line item fair value gains on disposal.

Due to the nature of these expenses, presenting a separate line for fair value losses is deemed to be more appropriate. This reclassification did not have an impact on the Group's profit.

	2019 As previously reported R'000	Adjustment(increase)/ decrease R'000	2019 Restated R'000
Statement of comprehensive income			
Fair value gains	119,826	1,600	121,426
Fair value losses	-	(1,600)	(1,600)

35.7 Reclassification in the statement of cash flows and cash generated from operations note for AHA Company

In the 2019 financial period, the Company had erroneously included dividends received in the cash generated from operations. The 2019 financial statements were restated, resulting in a decrease in the cash generated from operations and dividends received being presented seperately on the face of the statement of cash flows.

This has been corrected by restating as follows:

Cash generated from operations note

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Profit/(loss) before tax	633,122	-	633,122
Adjustments for:			
Dividends received	-	(501,511)	(501,511)
Cash generated from operations	**501,135**	**(501,511)**	**(376)**

Restatement of June 2019 results continued...

Statement of cash flows

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Cash generated from operations	501,135	(501,511)	(376)
Dividends received	-	501,511	501,511
Interest paid	(2,293)	-	(2,293)
Income taxes paid	(2,951)	-	(2,951)
Net cash inflow/(outflow) from operating activities	**495,891**	**-**	**495,891**

35.8 Statement of financial position for AHA Company

In the 2019 financial period, the Company had erroneously included a debit balance for audit fees as a negative provision. The 2019 financial statements were restated, resulting in a decrease in the provisions and an increase in the trade and other receivables amounts.

The table below illustrates the impact of the statement of financial position restatement:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Trade and other receivables	10,036	23	10,059
Provisions	(23)	23	-

35.9 Reclassification in the statement of financial position

In the 2019 financial period, the Group had erroneously included the cash settled share based payment liability in the loan from holding company. The 2019 financial statements were restated, resulting in a decrease in the loan from holding company and an increase in the cash settled share based payment liability.

This has been corrected by restating as follows:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Non-current liabilities			
Cash settled share based payment	-	11,286	11,286
Current liabilities			
Loan from holding company	126,792	(11,286)	115,506